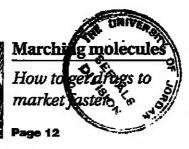




After the French vote

Has Brussels learned a salutary lesson?







Survey

Belize: not running but crawling

Venture capital

Rich rewards for fund managers

Page 21

# FINANCIAL TIMES

Europe's Business Newspaper

### Japan may face recession as economy faiters

Japan may be facing its worst recession for almost 20 years with the economy failing to grow in the second quarter of 1992. Statistics from the country's Economic Planning Agency measuring gross national product are expected to show zero growth when they are released later today. They will confirm that the economy has run into the sand after the rapid expansion of the late 1980s which fuelled growth of at least 4 per cent for 4% years. Page 20

Sharp fall at YSL: Paris fashion house Yves Saint Laurent suffered a sharp fall in net profits to FFr2.6m (\$506,000) in the first half of this year from FFr41m in the same period of 1991, reflecting the depressed state of the global luxury goods

**Helicopter deak** United Technologies of the US is to supply Sikorsky Black Hawk helicopters to the Turkish armed forces in a deal worth \$855m.

sian PM promises austerity



Russia's acting prime minister, Yegor Gaidar, admitted the country's budget deficit was now "very bad" after a sharp drop in revenue and a rise in payments during the summer, and promised that the government would tighten monetary policy over the next six months.

US financial services group, has taken a 27 per cent stake in troubled US insurance company Travelers Corporation. Investors and analysts saw the deal as a vote of confidence. Page 21

ning winners: The first transatlantic balloon race was won by a Belgian team which landed in Portugal. A British team also landed in Portugal to take second place.

Election pledge: South Korean opposition parties, angry at plans to sostpone presidential elections, may return to the National Assembly following a promise that elections will be conducted fairly in December. Page 8

Storm hits Philippines: Tropical Storm Ted ripped across the Philippines, killing five people, demolishing houses and causing floods, landslides and volcanic mudflows.

Profits warning: Club Mediterrance, French holiday and leisure group, warned that it might not be able to meet its profit forecast because

US subsidiary. Page 22 Chemical blast kills two: Two people died and 15 were hurt in an explosion at a chemical works in Castleford, West Yorkshire, owned by Hickson and Weich, subsidiary of chemicals group Hickson International Picture, Page 10

Belfast John saved: Participation with Learjet in the development of a new business jet pro-gramme is expected to secure between 700 and 600 jobs at Belfast aerospace company Short Brothers. Both companies are part of the Canadian Bombardier group\_Page 10

Peckiney rises after resturffle: Peckiney Group, French state-owned aluminium group, and its separately listed can making subsidiary, Pechiney international, reported sharp increase in first-half net profits. Pechiney Group took over its subsidiary's aluminium and trading businesses to make Pechiney International more attractive to investors by reducing its exposure to volatile aluminium prices. Page 21

HSBC chief to stand down: William Purves, chairman and chief executive of HSBC Holdings. parent of Hongkong and Shanghai Bank and Midland Bank, will relinquish day-to-day manage ment of the group early next year, but will retain the post of executive chairman. Page 26

Vatican rift healed: The Vatican and Mexico established full diplomatic relations, formally ending a rift of more than a century. Page 8

Hanson promotions Anglo-US conglomerate Hanson is to promote Robert Hanson, 31, son of its chairman, Lord Hanson, on to its board.

Princess abandons car: The Princess of Wales has cancelled the lease on her £72,000 (\$127,000) German-built Mercedes 500 SL as a gesture to the recession-hit British motor industry.

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Leaders move to salvage European union in wake of narrow French Yes vote

# Bundesbank says UK must bargain on re-entry of £

By Peter Norman and George Graham in Washington

THE BUNDESBANK yesterday served notice that the UK will have to negotiate with its European Community partners on an appropriate parity for sterling, if and when it re-enters the European exchange rate mechanism.

Mr Helmut Schlesinger, president of the German central bank, said the re-entry of sterling and the lira into the ERM would have to be on terms approved by all other participants. Without naming the pound, Mr Schlesinger said was "very important" that countries enter-

ing the ERM should choose a parity that "would be right from the beginning". This, he added, had not happened in the past. His comments came as Mr Piero Barucci, Italy's finance minister, confirmed that the lira

today as originally planned when it was floated last week. Mr Schlesinger's remarks, however, reflect in particular the Bundesbank's distaste for the way the UK first entered the ERM in October 1990. The LonMAASTRICHT: AFTER THE FRENCH VOTE

- on results, Page 2
- EC must regain its street credibility, Page 2
- Uruguay Round negotiators take downbeat view. Page 2
- France and Germany insist franc is healthy, Page 3
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- Major becomes a Thatcherite, Page 20

decided then that sterling's parity would be DM2.95 and announced the rate before the weekend meetings of EC officials which were to discuss UK entry. The Bundesbank president's insistence that the UK must submit its proposed terms of entry to its EC partners is wholly in line

with the rules of the ERM. But it is likely to irritate Mr Norman Lamont, Britain's chanwould not re-enter the ERM cellor of the exchequer, who made clear at the weekend that the UK wanted changes in the ERM before again submitting

sterling to its disciplines. Mr Lamont said the ERM had difficulties coping with the

the EC to address the "rationale" of the ERM once the French referendum vote was over. One issue was whether it should revert to being a system of fixed but adjustable parities, as was the case before 1987, or "a glide-

path towards a single currency" Mr Lamont's call for a study of the ERM was welcomed by Mr Michel Sapin, the French finance minister. "If Great Britain wants to make proposals to improve the functioning of the exchange rate mechanism, and thereby to bring forward the day it can re-enter, i would be very happy," he said. But Mr Henning Christophersen, the European Commission



Stating terms: Helmut Schlesinger stressed that countries

currencies against the D-Mark

Sterling

21 250 14 21 1.65

September 1992

2.80 DM per 9

### France and Germany bid to save Maastricht

By David Buchan in Parls and Quentin Peel In Bonn

FRANCE and Germany are expected to launch an initiative to revive the Maastricht treaty after a mini-summit today between President François Mitterrand and Chancellor Helmut

The initiative will concentrate on reinforcing democratic control over EC institutions, reassuring those who fear the loss o national identity and taking in

new member states. Senior German officials dismissed the idea that the talks might produce a formal initiative, but French officials expec-

ted "a classic Franco-German One French official said the meeting "could help Mr John Major" ahead of next month's emergency EC summit, since the agenda addressed issues of particular concern to Britain. However, the aspect of Mr Major's proposed summit arousing hostility is his suggestion that it should con-

sider changes within the European monetary system. "If you want to torpedo the EMS, you just do what the British prime minister seems to suggest," one German official said. "I don't see how you can negotiate at a European summit, in front of 5,000 journalists, about the future of the monetary system. The

markets would go wild. "We need a summit meeting well-prepared to do some stocktaking and to agree on how to get the ratification process through. We need to answer the problems of both Denmark and the UK."

French officials deny that France and Germany might plan a slimmed-down version of eco-

Officials in Parls and Bonn stressed that the intention of Mr Kohl and Mr Mitterrand was to ease the forthcoming ratification debates in Britain and Germany, and start to answer Denmark's objections to Maastricht.

The French vote [on Maastricht] should help relaunch the ratification process," Mr Mitter-rand's spokesman said. He also said the two leaders

Continued on Page 20

### don government unilaterally after German union. He called on currency doubts plague

By Emma Tucker and

mechanism remained under from a previous close of L836.2. heavy strain yesterday after France's parrow approval of the Maastricht treaty failed to allay investors' fears about the future of European monetary union.

The French franc dropped to within one centime of its ERM floor against the D-Mark in European trading, in spite of continuous intervention by the Bank of France, and supportive comments from Mr Helmut Schles-inger, president of the Bundesbank in Germany.

Ireland's punt was again the victim of heavy selling as investors continued to buy D-Marks. Sterling, which left the ERM last week, fell to an all-time low against the German currency in anticipation of an early cut in UK

another heavy sell-off of the Italian currency against the D-Mark. Mr Shepperd said. "At the At the International Monetary Fund meeting in Washington, Mr Schlesinger said the franc remained "healthy and stable" and that tensions within the EMS

had been reduced by last week's realignments. But the French currency slipped to FFr3.4150, 11/4 centimes above its ERM floor. The punt closed in London at DM2.6210, only 0.5 per cent above its ERM floor against the D-Mark. Sterling closed 7½ pfennigs

down from Friday's close at DM2.5375, a historic low against the D-Mark and an effective 10 per cent devaluation from the old ERM central rate. The anticipation of UK rate cuts led to volatile trading of government bonds. Mr John Shepperd, an economist at Warburgs, said: "People

suggested last week, triggered icy because of the lack of constraints on the exchange rate, where the government can do whatever it wants."

Gilt prices were '4 point higher on the day at the short end, but fell by 11/2 points at the long end in highly volatile trading.

Strong hopes of a rate cut also fuelled a 44.2 point rise in the FT-SE 100 share index early yesterday morning, but prices fall back once it became clear that the Bank of England did not intend to cut rates immediately. Shares ended the day 6.9 points lower at 2560.1.

Worries about the economic outlook were not confined to London. In Frankfurt, the DAX index fell almost 1 per cent as the

Continued on Page 20 International bonds, Page 25 Currencies, Page 42 London shares, Page 35 World stock markets.

# In Italy, the central bank's are genuinely concerned about announcement that it would not rejoin the ERM today, as it to be an inflationary biased pol-Bank America lifts presence

# in Texas with S&L purchase

By Martin Dickson in New York

BANKAMERICA, the leading bank in the western US, yesterday moved to strengthen its mod-est presence in the important Texas market with the purchase of 130 branches and \$7.5bn of deposits from First Gibraltar Bank, a large savings institution controlled by the financier Mr

Ronald Perelman.
The deal, part of the wave of consolidation in the fragmented US banking industry, came as North Carolina-based First Union announced an agreement to buy Virginia-based Dominion Bankshares for stock valued at roughly \$850m. San Francisco-based Bank-

America said the cost of the First Gibraltar deal had yet to be settled, but it expected to pay about \$110m, mainly in cash, to MacAndrews & Forbes Holdings, the parent company behind Mr Perelman's privately owned empire.

Mr Perelman's acquisition of First Gibraltar four years ago cre-non-banking subsidiaries. ated immense controversy because of the very favourable terms be won from a government agency overseeing the national crisis of failed savings and loans institutions.

He pieced First Gibraltar together from failed S&Ls acquired for \$355m, while gaining \$900m in tax breaks and a contract to manage distressed loans held by the institutions. He now appears to have used most of the tax breaks and management fees.

First Gibraltar was put up for sale earlier this year. But despite its extensive branch network, its attractions for potential purchasers were reduced by its relatively slim loan book and lack of business customers.

BankAmerica said it would be buying some \$225m of commercial loans and \$640m of consumer loans. MacAndrews & Forbes would retain First Gibraltar's federal savings bank charter, four branches in Plano, Texas, and

BankAmerica already operates 130 branches in Texas, where it has some \$3.7bn of deposits. It claimed the deal will boost it to second place in the state in terms of branches, behind North Carolina-based NationsBank, and

The Californian bank moved into Texas in 1991, buying the assets of a troubled Houston bank, and followed this up with deals involving two thrifts. Its piecemeal approach contrasts with those of rivals like Nations-Bank and Ohio-based Banc One, which moved into Texas in the late 1980s through the acquisition of some of the state's largest banks.

First Union said its takeover of Dominion would boost it from the 11th largest US bank holding company to ninth, with assets of \$61.3bn. It will also extend its banking reach into Dominion's territory of Virginia, Tennessee and Washington, DC.

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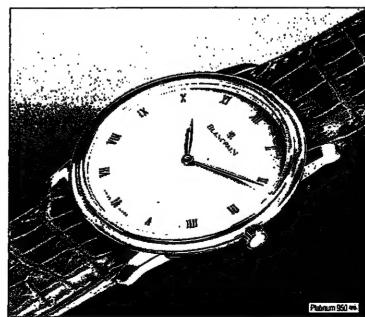
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World Currencies ......24

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### MAASTRICHT: AFTER THE FRENCH VOTE

Maastricht: How they ratify and when



by the lower house July, to be voted by





COLUMN TO GREECE

Ratified in June

Ratified by

LUXEMBOURG NETHERLANDS PORTUGAL

SPAIN Parkamentary ratification by

\*EITHER Europe will become more will be no more," Mr Jacques Delors, president of the European Commission, forecast five days before Sunday's marginal victory for Maastricht in France's referen-

Appropriately enough, he was speaking in Strasbourg at the 40th anniversary ceremony of the European Parliament, the body which is supposed to act as the EC's democratic watchdog and antennae, but which has signally failed to establish its legitimacy with Europe's

The parliament's failure, however, is only part of the democratic shortcomings of a Community which, while sincerely defending the values of democracy, legislates and decides in ways which are becoming more and more removed from the people, and beyond their

Since "Europe" came into being 40 years ago, it has been the enterprise of the elites - "benign despotism", Mr Delors called it in his Strasbourg speech. France's Le Nouvel Observateur last week caught how probably most people visualise EC workings, publishing

# EC must regain its street credibility

David Gardner looks at the implications of the French vote for Community democracy

a photograph of a sharp-suited man against a backdrop of the 12-starred Community flag and with a paper bag over his head. EC paper bag-wearers include not only the "faceless bureaucrais" of

Brussels, or the "lost tribes" of Euro-MPs in Strasbourg, but national ministers and officials who come to Brussels almost weekly to reach decisions they seldom seek, or are required, to jus-tify before anybody. The divisions across Europe exposed by the cam-paigns to ratify Maastricht suggest either that this game is up, or, as Mr Delors suggests. European union will never win popular legiti-

The Commission and the 12 are seeking a remedy in "subsidiarity". This typically non-user-friendly concept means decisions should be brought closer to the people. The EC would act - with the Commission proposing and the 12 deciding through the Council of Ministers, subject to some amendment by the European Parliament – only when national action would be demon-strably less effective.

But subsidiarity, while needed to delineate responsibility and avoid clashes which fuel popular suspi-cion of "Brussels", is unlikely to make the EC democratic. That would at least require reforming the operations of Council, Commission and parliament, a greater role for national parliaments in holding EC lawmakers to account, more open decision-making and debate, and better explanation.

The Commission is already studying how to shrink itself into a more effective, politically alert body. The parliament is working on similar lines, in an attempt to transform its cumbersome and too often frivolous procedures. Despite what one of the driving

France and European union

as its "millenarian ideology", the Brussels bureaucracy is probably savvy enough to mutate sufficiently to survive as a shaping force in the EC.

The parliament is in worse shape. The 518 MEPs, and indeed member states like Germany, Denmark, the Netherlands and Belgium, were unhappy at the modest increase in power which Maastricht gives Strasbourg. It now has amendment rights it exploits insufficiently. Under the treaty it would get more equal say on EC laws with the Council, more control over the Commission, and a review of its

powers in 1996. But the most lucid minds in Strasbourg recognise that the parliament has failed to connect with its dwindling electors. "At the coment this parliament has no priorities," says Mr David Martin, a respected Labour MEP and vice-president of the parliament.

"You have to identify where you can wield influence.
"We have to admit that we're not using properly the powers that we already have," he says. If Maastricht gets through, he argues, MEPs should put aside ambition for more power from the 1996 review, and "justify our new powers, demonstrate that we are an effective

Denmark's rejection of Maastricht in June, he adds, "could be just the bucket of cold water we need, rather like it has been for the

body, not say we are not effective

because we have insufficient now-

Commission." There is so far, however, little sign of the cold shower the Council needs. The Council, as well as making law behind closed doors, frequently passes the buck to the Commission for unpopular national policy, discrediting the whole EC enterprise. France recently, for

1992: Referendum on Maastricht Treaty

propose an EC driving penalty points system, similar to the one which provoked French truckers to gridlock France's roads in the summer. Brussels sensibly invoked subsidiarity and refused.

Maastricht compounds the democratic shortcomings of the Council by placing the new foreign and internal security policies outside the BC remit. This provides for ember states to act jointly, outside the effective oversight of either national parliaments or

Ideas to staunch this leakage of accountability range from opening up Council lawmaking to the public, to a greater role for national

The compromise is likely to involve greater national parliamentary control over the Council. "We must exploit the legitimacy of

and means which depend on earl country," a senior Commission offi-cial says. The idea that the Euro-pean Parliament is the only source of legitimacy in the Comp

But it is far from clear whother such a national parliamentary role will do more than massage natio MPs' egos. The same official, he merly a high-flier in the French administration, acknowledges that Paris and Brussels always deal direct, without even passing reference to the French National Assessbly. Denmark's Folketing, which keeps the closest watch on BC law, revealingly favoured more powers for Stresbourg in the Maastricht

The UK House of Con say the least, lively on Europe, but MPs seem more concerned to score points than examine detailed mea-

One of its better-known practitioners, Mr John Biffen, said after the Danish vote: "The instinctive prejadices and wisdom of street polici-cians hold the key to Europe's future, not those of the good and the great." If he is right, the BC does not have much time left to get

territorie

French Polyn

# Poll reveals gulf between French leaders and voters

By William Dawkins in Paris

FRANCE'S 51.05 per cent majority vote for European monetary and political union has given President François Mitterrand a reprieve, but signals a profound change for

The first outlines of the new landscape started to emerge yesterday as the broadly pro-European political establishment, both left and right, began to take in the sombre message of the vote. It showed that the main parties' policies on the wide rar of subjects in the Maastricht treaty are out of kilter with the views of nearly half the electorate.

The problem of Maastricht has been sorted out, but the problem of France is another story. This country is manifestly troubled," warned former president Valéry Giscard d'Estaing, head of the centre-right UDF. Mr Laurent Fabius. first secretary of the Socialist party, added: "We will have to take account of the French who voted No."

Alarmed party leaders were already starting to reposition themselves yesterday for legislative elections due next March. The governing committees of the Socialists, RPR Gaullists and Communists are all to meet in the next week.

There were reports that Mr Pierre Beregovoy, the prime minister, was urging a snap parliamentary poll, before the RPR Gaullist party had time to reconcile the internal splits opened by the campaign. Mr Fabius disagreed, partly on the grounds that the Socialists need more time to seek an alliance with the ecology parties, both of which are mainly pro-Maastricht and which represent a combined 14 per cent of the electorate.

dent of the mainly anti-treaty RPR Gaullist party, is set to demand a vote of confidence in tomorrow. Supporters of Mr Philippe Séguin and Mr Charles Pasqua, the leading anti-treaty rebels in the RPR. yesterday called on Mr Chirac policy with them.

According to exit polls on Sunday night, the Socialists and their allies would pull in a mere 22 per cent of the votes in a legislative election, while the RPR and UDF would get a solid

Meanwhile Mr Jacques Chirac, the pro-Maastricht presi-

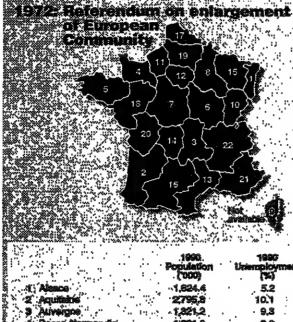
relative majority of 45 per cent.

the main parties as they prepare for the election campaign is how to tackle the deep regional, class and economic

his leadership at a meeting of the party's national council to negotiate a fresh European

For the time being, it looks as if a presidential election is not on the agenda. Mr Mitterrand has won the European gamble, and will probably want to take a hand in steering the remains of Maastricht or its successor through the EC. In theory, he can stay in the Elysee until April 1995, though few observers believe he will, in view of his illness and the thrashing the Socialists are expected to receive at the legislative election.

The big challenge facing all



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erendum debate. Sunday night's voting statistics reveal a sobering pattern, decribed by of the haves and have-nots.

Mr Giscard d'Estaine as a man As an indication of just how easily the result could have swung the other way, 54 of France's 96 départements - 56 per cent of the total - produced a majority No vote. It was perilously close; only 50.82 divisions opened up by the ref- per cent of the electorate in

mainland France voted in favour of the treaty. The final votes from the overseas territories and domains, in the South Pacific and Caribbean, lifted the total to 51.05 per cent.

Generally, the treaty got the thumbs-up from rich regions and cities such as Paris, Strasbourg, eastern France along the German border and Rhône Alpes. The big surprise here is that Brittany, with its poor

Another voice says: "How can we help them stay on board?

For we sink or swim together."

"Great Britain must decide,"

national snails' shells. It is an

illusion. It is an expression of fears, a flight from reality. The

reality is called Europe.

agricultural and fishing communities, was among those regions to follow its politicians advice and come out with a solid Yes. Maastricht even won the day in La Trinité-sur-Mer. the birthplace of Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front and one of the treaty's most outspoken opponents. The Noes were to be found in

economically depressed regions

Europe which is built on the

basis of 'unity in diversity'," he

like Nord-Pas-de-Calais, hit by the decline of traditional industries; Picardy, north of Paris; and Corsica and Provence-Alpes-Côte d'Azur. The poor port cities of Marseilles and Calais were also confirmed as hotbeds of Euro-scepticism.

Generally, the pattern shows that economically vulnerable areas gave the thumbs down to their political leaders' Euroenthusiasm. Exit polls rein-

force that idea, showing majority opposition to the treaty among farmers and industrial workers, with support from executives and the professional

13

The exit polls also showed that the RPR is not the only party to split over Europe, though it is the one with the deepest divisions. Around 60 per cent of RPR voters ignored

**Uruguay Round negotiators** 

icy and voted against, while around 40 per cent of UDF supporters ignored Mr Giscard d'Estaing's line and voted against. Among Socialist voters. 20 per cent defected into

the anti-Maastricht camp. In the days and weeks to come, the main parties' leaders have some hard thinking to do if they are to respond to their supporters' doubts in time for

rency turmoil and domestic dif-

ficulties affecting Germany,

France, Britain and Italy, will continue to paralyse decision.

making, some negotiators fear.

# Mixed feelings in Bonn on result

By Quentin Peel in Bonn

ON Maastricht, the German body politic seems to want to eat its cake and have it. One side - Chancellor Helmut Kohl, his government and

the main parties - says full steam ahead: lingering doubts about the meaning of Maastricht, and the implications for the D-Mark, must be subsumed in a rapid ratification process. Maastricht is not going to

fail because of Germany," says Mrs Heidemarie Wieczorek-Zeul. EC spokesman for the opposition Social Democrats (SPD), normally die-hard opponents of the chancellor. The other side - many of the same people, plus business and industry, the financial

establishment, and politicians simultaneously wants a breathing space, time for some finetuning, even for a little reconsideration about the revolution implied by economic and mon-

etary union (Emu).
"The direction of Maastricht is the right one, but the speed will depend on how quickly we can solve the problems," Mr Volker Rühe, defence minister and close associate of Mr Rohl, said yesterday. One cannot create a European currency "arti-

Outside the establishment

there are those who want nothing to do with Maastricht at all. In spite of growing public sympathy, they have made no impact on Bonn. Their campaign for a referendum does not look likely to succeed because of the shambles of the French referendum and, more important, because of memories of the misuse of referendums in the Weimar republic. when they undermined the elected parties and contributed

to the rise of Hitler.
Even those fighting for ratification admit that the process - due to begin with a first reading in the Bundestag on October 7 - is no longer the end of the issue. For the demand by both houses of par-liament to have another debate before moving to the final stage of Emu, in 1997 or 1999, is now recognised as a chance to halt any automatic move to a

single currency.
"No German government will go ahead [to Emu] if the Bundestag refuses to accept that the economic convergence criteria have been fulfilled," a senior government official said

yesterday. "And Emu without Germany would not happen."

The view that is gathering momentum, however, is that the EC is condemned to become a multiple-speed comAs a result of the divided establishment view, there is something of a love-hate relationship towards those seen as complicating the process: first Denmark, then France, and now Britain. The Danish No vote was wel-

comed by many pro-Europeans for forcing the German public to focus on the Maastricht Treaty for the first time. It was

Emu without Germany would not happen'

welcomed by opponents for liberating the debate and allow-ing Germans to dare to say No in the opinion polls.

The French referendum was watched in trepidation throughout the establishment for fear it would undermine Germany's most important partner in all Community affairs. With the result out, no one is quite sure the tiny majority for the Yes vote will not have the same effect.

Attention is turning to the

British reservations, just as the

British are indulging in a dose

of Germany-bashing. One voice

of the establishment says:

never be true Europeans."

"Press on regardless. They will

What Germany can do for British Prime Minister John Major is return to the issue on which the two stand relatively united: the need to reinforce so-called subsidiarity – maxi-mum devolution of decision-

Maastricht Treaty.

That was the key new element in Mr Kohl's statements on Sunday night and yester-day, in the wake of the referendum result. Otherwise he was merely insisting that Maastricht must be ratified by all member states, and that European political union must move hand-in-hand with eco-

"We must all ensure that the

Europe of Maastricht is a dem-

ocratic and citizen-friendly

Europe, which respects and

promotes the national identity,

history and culture of all mem-

making - and the protection of national identities in the

says Mr Karl Lamers, foreign affairs spokesman of Mr Kohl's Christian Democrats. "There is a growing temptation for people to pull back into their

However, the simultaneous German concern is that UK fury at the fall of the pound, and its accusations of German complicity, may fatally under-mine British willingness to find ways of pushing the Maastricht process forward. That would be serious if Britain were just one of 12 members round the table. It could be disastrous with Britain currently occupying the presidential chair and so responsible

for promoting compromise. In particular, Mr Major's suggestion that the emergency summit in October might consider ways of reforming the European Monetary System and its exchange rate mechanism is regarded as wild and dangerous in Bonn.

One German official said yesterday: "I don't see how you can negotiate at a European summit, in front of 5,000 journalists, about the future of the monetary system. The markets would go wild.

We need a summit meeting well prepared to do some stocktaking and to agree on how to get the ratification process through. We need to answer the problems of both Denmark and the IIK. We still have not ber states and their regions, a given up hope with the UK."

### take a downbeat view to finance ministers on Sunday

Geneva and Nancy Dunne In Washington

TRADE negotiators involved in the stalled Uruguay Round of global trade talks in Geneva were yesterday downbeat in assessing post-referendum prospects.
"I'm not sure the French

vote is going to be all that helpful," said one European official, pointing to continuing political uncertainties on both sides of the Atlantic. The sixyear-old multilateral negotiations have been moribund for months because of failure by the US and the European Community to resolve differences over farm trade reform.

EC farm ministers meeting in Brussels also saw little prospect of an early breakthrough. France's Mr Louis Mermaz was quoted as saying only that "the US must change its position". Senior trade officials from the "quad" countries - US, EC, apan and Canada - meet in Geneva tomorrow to assess

prospects for the round. The US administration has launched a final effort to conclude the round this year. The president has twice mentioned Maastricht vote - in a speech

and to the UN yesterday. in a speech to the Institute of International Economics in

Washington, Mrs Carla Hills, US trade representative, yesterday spoke of the "window of opportunity" and the need to get the deal-making done this year in order to get a completed text to Congress by the March 1 deadline.

ket access are both scheduled. Now that the Maastricht vote is past, Mrs Hills said, "perhaps the Commission and the members states can dedicate themselves to carrying out the G7 commitment of seeing to it that the round is concluded by

the end of the year." Failure to reach agreement by the end of next February, when the US "fast-track" nego tiating authority expires, would almost certainly sink

the 108-nation round. But senior trade diplomats in Geneva worry that politicians may still be unready to make the often painful compromises needed for a settlement. "I see no evidence the EC will be Continued anti-Maastricht

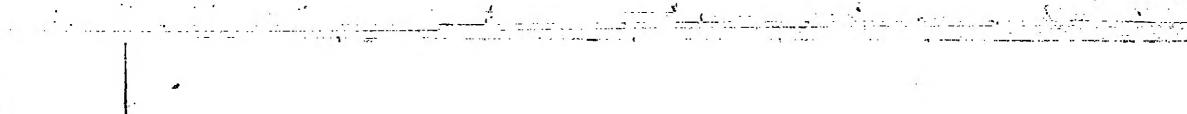
feeling in Europe, including Britain, which holds the EC

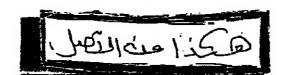
presidency, along with cur-

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### MAASTRICHT: AFTER THE FRENCH VOTE

IMF IN WASHINGTON

# Interest rate gap 'should be reduced'

By Michael Prowe

be lowered and US rates increased, Mr Carlos Solchaga, Spain's finance minister and chairman of the IMF's policymaking interim committee, indicated yesterday. He said world economic

recovery was being held back because "German rates are too high and US rates too low". The differential in rates had to be reduced if countries were to achieve sustained growth and greater currency stability.

Countries would have to coordinate their policies more effectively if the kind of turbulence in financial markets experienced last week was to be avoided, he said. Mr Solchaga was speaking at a press conference in Washington to release the communiqué of the

IMF's interim committee. Mr Michel Camdessus, IMF managing director, echoed Mr Solchaga's call for greater economic co-operation, arguing that recent events had shown with "crystal clarity" the interdependent nature of countries

Mr Camdessus said he was not pressing for an immediate raising of US interest rates. However, the Federal Reserve should ensure that economic recovery was promptly accompanied by "moderate and progressive" increases in

The importance of policy co-ordination and the need for economic convergence within Europe was underlined in the communiqué. It said countries had to improve the balance between fiscal and monetary policies if they were to achieve a narrowing of

day that President George Bush's suggestion on Sunday that greater use be made of

commodity price indicators in

co-ordinating economic policies was "timely" and would be explored further. However, the IMF already made use of commodity prices. including gold, as a "for-

ward-looking indicator" of eco-nomic developments.

Mr Camdessus again called on industrial countries to consolidate their budgets. The route to sustained growth lay in reducing long-term interest rates by cutting the proportion of national savings absorbed by public sectors.

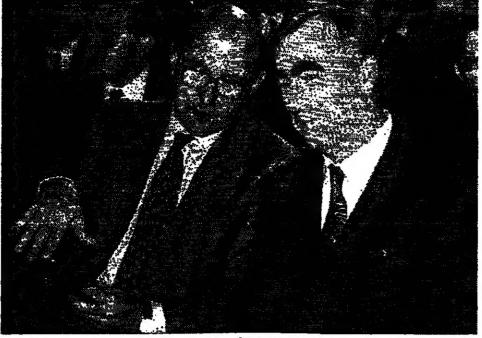
Turning to the outlook for developing countries, Mr Camdessus said substantial progress had been made in reduc ing debt burdens. The ratio of debt to gross domestic product had fallen by a third - from 180 per cent to 120 per cent in the past seven years. In many countries debt was "no longer an impediment to

growth". The communiqué also praised the reform efforts under way in central and east-

Questioned about the narrow Yes vote in France's referen-dum on the Maastricht Treaty, Mr Solchaga said that having received a democratic Yes in France the ratification process should continue.

Mr Solchaga expressed confidence that the Italian lira would return to the European Exchange Rate Mechanism soon but he believed the British authorities had no intention of an early return for the

Argentine debt talks, Page 8



Michel Sapin, the French finance minister, chats to his German counterpart Theo Waigel, right, as IMF delegates gather at the White House

# France and Germany insist franc is healthy

half the German level.

currency would suffer.

tion in its public sector was

Mr Theo Waigel, the Bonn

finance minister, said there

was no reason to doubt the

French franc and predicted

that speculators against the

Mr Sapin said the European

Monetary System had not

emerged unscathed from last

week's turmoil, and dampened

expectations of a rapid cut in

French interest rates. "I said a

Yes would open the prospect of

a reduction in interest rates.

That remains profoundly true,"

Mr Sapin said, noting that last

week's Bundesbank interest

an "absolutely considerable

reversal of trend". But he said

Europe would have to "ban-

dage its wounds" after the cur-

Privately, French officials

are pleased by what they see as

new respect for the franc's

solidity after its test last week.

"The Americans don't talk to

us about the franc the way

they used to. The Germans

the way they used to. If the

German monetary authorities,

who are notoriously demand-

ing, notice that, then others will have noticed too," said a

rency market turmoil.

By George Graham and Peter Norman in Washington

FRANCE and Germany, the two strongest remaining members of the Exchange Rate Mechanism, yesterday talk up the French franc as it fell on currency markets following the Maastricht vote.

The support came amid rumours in Washington of a big flight of funds from France into the D-Mark. Yesterday, despite Bank of France intervention, the franc dropped to within one centime of its ERM floor against the D-Mark.

Mr Michel Sapin, the French finance minister, predicted that the financial markets would calm down when they took the full measure of the French referendum.

Mr Helmut Schlesinger, the Bundesbank president, insisted the franc was a fundamentally healthy currency. He under-lined that France had a lower

# US puts commodities index at centre-stage

Peter Norman on plans for stabilising currencies

F at first you don't succeed, try, try again. to be the motto of Mr James Baker, President George Bush's chief of staff and some-

time US Treasury secretary.

Mr Baker is deemed to be the man behind President Bush's proposal that countries use a basket of commodities, including gold, as a means of co-ordinating exchange rate move-

The president put the idea to finance ministers assembled in Washington for the annual meeting of the International Monetary Fund in a speech on Sunday. The US put forward a similar idea at an IMF annual meeting five years ago when Mr Baker was in charge of the

But what is the basket of commodities supposed to do, and how could it help stabilise

In spite of the tantalising reference to gold, the US suggestion does not amount to a proposal to restore the gold standard for currencies of prefirst world war days.

Instead, the US idea is a development of the process which exists at present in a low-key form, by which the leading industrial countries are supposed to co-ordinate their economic policies with reference to an agreed batch of economic indicators

An index of commodity prices, including gold, already exists. The US wants countries to monitor this index as a "reference point" in the exchange rate system.

Too sharp a change in the index in any given currency economy was moving out of European Monetary System has shown the dangers of a economies. The basket could, in this way, stimulate or even

trigger corrective action.

The US idea is to create a new element of discipline in international monetary relations that is not as rigid as the fixed or semi-fixed exchange

Monetary System.

The commodity basket with ld would, however, be more effective than simple peer group pressure exercised in meetings of the Group of Seven

US trading partners wonder if a commodity index is the right approach

leading industrial countries. The present divergences of economic policy among the Group of Seven are a poor advertisement for peer group activities.

There is a thirst for new ideas on how to manage the world economy. Mr Michel Camdessus, the managing director of the IMF, has urged member countries to come up with proposals.

Mr Norman Lamont, the British chancellor of the exchequer, in his speech to the IMF's policy-making interim committee, underlined that countries "need to improve co-operation and redouble efforts at policy co-ordination" on a worldwide

get out of kilter with exchange

But is a commodity index the right approach? America's trading partners tend to be

sceptical Commodity prices can be very volatile, making such an index an unreliable guide to economic conditions. There is also a suspicion that the US as a leading producer of primary commodities and gold would benefit from the scheme more than other industrial coun

Other nations are uncertain how far the US, or any other country, would be bound to act by any movements in the

There is also a puzzle over the economic rationale behind the proposal.

When the US first advanced the idea in 1987, its interest rates were in double digits and it was seen as a way of possibly justifying lower borrowing costs. Now short-term US Interest rates are at their lowest level since 1963.

The rebirth of the idea probably owes far more to electoral politics. The hint of a new gold standard could appeal to the right wing of the Republican party and probably win President Bush some approving editorial coverage in the Wall Street Journal.

The president's intervention that the US has a constructive role to play in the present uncertain international mone tary climate, at little cost to

# 'Recovery is under way but sluggish and uneven'

Extracts follow from the communique of the Interim committee of the board of governors of the international Monetary Fund:

"IN industrial countries, recovery is under way, but it remains sluggish and uneven unemployment is unacceptably high, and recent exchange market tensions have increased uncertainty. Inflation and interest rates have declined significantly in a number of countries. . the recent currency turmoil forcefully illustrates the importance of reinforced policy co-ordina-tion, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe.

The committee welcomed the actions recently taken to reduce market tensions and noted the resolve of major industrial countries to co-operate closely and to take appropriate additional actions as needed to

Mill!

strengthen growth without rekindling inflation and to foster greater currency stability. . . key countries need to co-operate close-ly. . . to boister confidence and improve the balance between their fiscal and

Interest rate differentials.

Monetary and fiscal policles should aim at a lasting decline in long-term interest rates through a reduction in public sector borrowing and a further lowering of infla-tion expectations. Vigorous action must be taken to eilminate structural rigidities that impede employment and productivity growth. An early, successful conclusion of the Uruguay Round [of trade reform] would be an invaluable contribution.

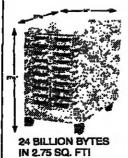
The committee welcomed the steady and successful implementation in many developing countries of sound economic policles and structural reforms. The committee praised the

progress being made by the countries of central and eastern Europe in reforming their economies under Fund-supported pro-grammes. There has been progress against inflation and there is some evidence monetary policies, thereby that the sharp contraction of facilitating a narrowing of output may be coming to an end. However, the pro-longed weakness of activity in some countries underlines the need to carry through further reforms

quickly.

The committee welcomed the evidence of further gains under the debt strategy. A number of developing countries, however, have yet to secure decisive solutions to their debt problems. The committee commended the Paris Club's provision of greater debt relief for low-income countries in the framework of strong adjustment programmes, and its readiness to consider a reduction of the stock of debt after a suitable period of adjustment."

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**Floating** 

pound not

an option,

says Pöhl

A FREELY floating exchange

rate is not a realistic option

for any European country,

according to Mr Karl Otto Pohl, the former Bundesbank

In a pointed reference to

Britain's withdrawal from the exchange rate mechanism, he

said decoupling an exchange

rate from the D-Mark would not allow greater freedom in the conduct of fiscal and mon-

etary policy.
The US was big enough to

float its currency but any

European country trying to float would fall into a "vicious

circle" of depreciation, infla-

tion and more depreciation.

After "the failure of British

exchange rate policy last week", the only way forward lay in re-establishing "near

fixed rates" and moving

toward a common European

monetary policy. He remained optimistic that

Europe would move towards a

common currency and central

bank, However, only a "multi-

speed" approach to economic

and monetary union now

looked feasible.

By Michael Prower

president.

# Two crucial questions ahead for the EMS

Can order be restored to Europe's currency markets, ask David Marsh and James Blitz

of the European Monetary Sys-tem (EMS) lies in the hands of the German Bundesbank. After the devaluations of the past fortnight and the indecisive French referendum result, currency markets face two crucial

Does the German central bank care enough about the short-term stability of the system to make life easier for the "hard core" of currencies which remain linked to the D-Mark? And will this month's devaluations by Italy, Britain and Spain - whose combined gross national product makes up 43 per cent of overall EC output - lead inevitably to further pressure on weaker currencies to follow suit?

To the first question, the Bundesbank yesterday responded with a polite but firm No. Mr Helmut Schlesinger, the Bundesbank president, a veteran of the tortuous discussions at the end of the 1970s on how the system would affect the Bundesbank's freedom of manoeuvre, ruled out EMS reforms. Speaking in Washington, he warned that EMS partners could not expect Germany to cut interest rates in the interests of the weaker

members of the system. To the second question, currency dealers came up with their own answer: a somewhat less polite No. By driving down the French franc, as well as other softer currencies such as the Irish punt, against the

MORE THAN ever, the future D-Mark, the foreign exchanges are signalling the risk of more valuations to come.

After the narrow vote in favour of Maastricht, France remains hopeful that the Bundeshank can be persuaded to take a more conciliatory monetary stance, as part of further development of the EMS. Mr Jean-Paul Bethéze, chief economist at Crédit Lyonnais in Paris, said the system needed to evolve into "a more political and less technocratic" arrangement. He was confident that further cuts in German interest rates in coming months would be accompanied by a narrowing of the interest rate differential between the D-Mark and the French franc.

A less sanguine view was taken by Mr Mark Austin, chief economist at Hongkong and Shanghai Banking Corporation. He said the ambivalent French result and the departure of sterling and the Italian lira from the Exchange Rate Mechanism may spell the death of the EMS.

"For five years, fund managers and currency investors have assumed that there will be a single European currency and that they could invest in Spanish equities, Irish gilts and Danish mortgage bonds with impunity," he said. "That view has been damaged by the French vote." The Bundesbank will clearly be taking time to ponder the opportunity for

European exchange rate mech-

anism (ERM). However, they

also stressed that the outcome

would maintain the pressure

on Italy to pursue monetary

countries. Now we need to

straighten out the economic

and financial situation and re-

focus our concentration on

Italy's own financial recovery".

chairman of Ferruzzi Finana-ziaria, the holding company

controlling Italy's second big-gest private sector group, said:

France has again given

Europe a chance. But this

opportunity needs to be man-

aged with great prudence, because it will probably be the

Mr Hilmar Kopper, Deutsche

Bank's chief executive, said the

Mr Arturo Ferruzzi, the

and fiscal discipline.

Mr Cesare Geronzi,

essary for the good of Germany's own sluggish economy. The Bundesbank and other central banks have carried out an unprecedented DM60bn of intervention to prop up weak European currencies during the last few weeks. As a result, the Bundesbank is withdrawing liquidity from the German money markets to "sterilise" the effect of the intervention on domestic liquidity - a fac-

the D-Mark. Another area of concern on the exchange markets is that countries with currencies which have not yet devalued, but which carry out significant trade with "softer currency" nations, may be forced into devaluation to maintain competitiveness.

tor adding to the strength of

This has undermined confidence in the weaker currencies in the EMS, including the Spanish peseta, the Portuguese escudo and the Irish punt. Investors had bought them in the belief that their respective countries would abide by the stringent convergence criteria set out in the Maastricht

treaty.

Market attention yesterday was focused on the French franc. The franc appreciated to FF73.39 against the D-Mark in the immediate aftermath of the referendum result, but later came under renewed pressure and fell to within a centime of its ERM floor of FFr3.4320, despite intervention by the

Mr Paul Chertkow, global currency strategist at UBS said that he did not expect to see the franc come under the afflicted the lira and sterling. "There is no obvious case for a franc devaluation, and the strength of the French economy makes me think that there is even some reason to expect a revaluation," he said.

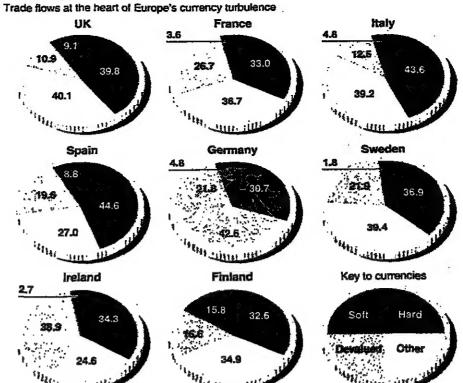
However, the departure of sterling and the lira has made dealers question whether other EMS parities can be kept unchanged. "If the market builds up a head of steam against the French franc it could still blow the Bank of France off course," Mr Chert-

The franc could be undermined if the August figure for M3 money supply in Germany. due out this week, turns out higher than expected.

Even if the franc manages to stay above its floor, the weaker ERM currencies could still be

The Irish punt is particularly vulnerable because of the recent devaluation of sterling. The UK accounts for nearly 40 per cent of Irish trade, and some analysts believe that sterling's devaluation will upset the country's trading position unless the Bank of Ireland carries out a similar move.

The Danish krone is suspect because of the high risk that the Swedish krona will be devalued. Among Denmark's Who exports to whom



Harrit Germany, France, Belgium, Luxembourg, Denmark & Netherlands Soft: Greece, Ireland, Portugal & Sweden Other: Rest of the work The chart chows the percentage of each country's total exports sold in 1991 to the "hard", "soft" and "devalued" currency countries, inside and outside the exchange rate mechanism

the turmoil of the last week,

foreign exchange analysts

believe that, at best, the EMS

will develop into a two-speed

system, in which the curren-

cles of France and the Benelux

countries are linked closely to

Mr Pöhl, who was delivering the annual Per Jacobsson lec-ture at the IMF/World Bank including sterling and the lira. meeting in Washington, said float within very broad paramthe Bundesbank should not bear all the blame for last However, last night currency week's debacle. It was "gener-ally acknowledged that the UK joined the ERM at too high an dealers were not in the mood exchange rate. DM2.95 was

wishful thinking." He also criticised the timing of British entry into the ERM. arguing that it was predictable that German unification would impose strains on the

Last week's events reminded him of the breakdown of the Bretton Woods exchange system in the early 1970s. The latest crisis "was not very well managed". As in the 1970s there was "no co-ordination and no leadership". He was convinced the crisis

could have been avoided had European finance ministers agreed a "credible" package ahead of the Maastricht vote. This should have included a realignment involving more currencies than the lira and a more substantial cut in German interest rates.

been caused by failing to exploit the flexibility built into the European Monetary System. In the absence of a monetary union, exchange rate adjustments were some-

# Fleeting relief but European concern lingers

By Our Foreign Staff

EUROPEAN business leaders, reacting on the whole with relief to the French referendum result, yesterday assessed the impact of the narrow Yes vote on their national economies and currencies.

In Spain the initial positive reaction from business was replaced by concern over how the government would respond to the continued threat to the value of the peseta.

Mr Jose Maria Cuevas, leader of the CEOE employers' federation, said that while "the referendum result clears away some of the uncertainties after such great drama", the government had to begin implementing measures which would complement the 5 per cent devaluation in the peseta, agreed in Brussels last week.

This, he said, would not only involve the tight budget promised for 1993 but also tackling structural rigidities in the labour market: "We have to be humble and admit that our economy is not sufficiently

Mr Enrique Portocarrero, president of the Circulo de Empresarios Vascos, an influential Basque employers' group, said despite the French vote: "We are still worried. The vote does not clear the horizon for us, especially as the finance minister appears not to have ruled out a further devalua-tion." That would assist exporters but the inflationary consequences would delay any interest rate cuts.

The question in France itself was how the franc would fare and whether Mr Michel Sapin, France's finance minister, would be able to fulfil his aim of reducing interest rates.

Mr Robert Lion, chairman of Caisse des Dépôts, one of France's largest financial institutions, said the referendum paved the way for the French economy to return to growth". However, he warned that the government should not be tempted to relax its tight control over the economy. In Italy, business leaders said the result might help

reduce the currency market

turmoil affecting the lira,

opportunity remained for Europe "to coalesce into a large and strong single currency region". However, "it would be irresponsible to try to squeeze all EC nations into the programme at the same time." British business leaders' focused on the greater freedom of economic policy action provided by the suspension of sterling's ERM membership. Lord Sterling, chairman of P&O, said that the immediate priority for the UK economy, had to be a reduction in UK interest rates. "There is no point looking over our shoulders and blaming the Germans. We need to put our own house

Mr Roger Wood, financial director of construction company Wimpey, said: "The effect on our sector is at best marginal. What is needed most is early clarification by the Britand fiscal strategy and how it intends to restore confidence." By Peter Bruce in Madrid Haia Simonian in Milan, Alica Rawsthorn in Paris, Andrew Fisher in Frankfurt and Jimmy Burns in London.

### Meanwhile...the single market plods on one competition official. The lifting of internal barriers on December 31 may

Europe's softest.

IN recent weeks the erratic course of the Maastricht hare has inevitably distracted spectators from the plodding progress of the single market tortoise, now less than four months from the finish line.

The French Yes is not even on the formal agenda of EC internal market ministers, which along with sterling was withdrawn last week from the meeting in Brussels today. But the lessons of the referendum campaign - and of the Danish vote in June - have important implications for the single market programme.

First, many of the anxieties are less a response to the ing director of Banca di Roma, Maastricht Treaty than a belated reaction to the 1986 Italy's biggest banking group, Single European Act, which said the French decision had led to "the disappearance of a launched the internal market first cloud over the political and economic future of our

In France, only the most protectionist No campaigners attacked the grand marché itself. But claims of meddling give EC leaders a rallying point, writes Andrew Hill ting kicked back."

main trading partners are Swe-

den, Finland and the UK, all of

whose currencies are among

The future of the system

may ultimately depend on

whether political leaders are

from Brussels - for example, over unpasteurised Camembert cheese - or dark apocalyptic fears of, say, unrestricted immigration, sprang from suspicions of what a barrier-free Europe might involve.
Some Brussels officials

believe a No vote would have prompted widespread resisance to existing legislation, with subsidiarity as the rally-ing cry, and national self-interest as the real driving force.
"With a Yes vote, the temp-

tation will now be less great, but nevertheless it is still there," warned one Commission official yesterday. "Many people have realised they can indulge in an exercise of Brussels-bashing without really get-

Continuing sensitivity about Brussels' image in the EC could still hamper installation of the final pieces of the single market - including some of the controversial and most

far-reaching elements. It is worth asking, for example, whether the Commission and the British presidency will maintain the pressure on reluctant member states to open up the energy market. The Comwider access to gas and electricity networks, a particular ing has changed. "In fact, if aim of the British government, you look at it from a positive have already been watered down, But even in their dilute

Similarly, fragility of the political consensus could temper Commission attacks on public monopolies under Article 90 of the Treaty of Rome. That article - which could be used against energy, postal and telecommunications monopolies - allows the Com-

approval of member states. Advocates of Article 90 - of whom the most prominent is Sir Leon Brittan, the competition commissioner - say nothpoint of view, [Article 90] opens up previously monopolised sectors to competitions, to

An incomplete and uneven internal market is the gloomy scenario. But it is also possible that having scraped through the French referendum, member states will rally round the project. That would be one way of demonstrating the mutual trust which has recently been lacking in other areas of Community co-operation. Britain, in spite of everything, is still best placed to lead such a rally,

given its long-standing support for the internal market. mission to legislate without Exactly what will happen at midnight on December 31, let alone beyond, depends on the willingn ss of national govern ments to champion the single market. But with the Community still in turmoil, officials say the value of a symbolic, 12-strong lowering of internal EC barriers should not be

### state they brought thousands the benefit of consumers," says Lira to remain outside EMS

By Robert Graham in Rome

THE Italian government yesterday decided against returning the lira to the European Monetary System today for fear of further instability and costly interventions.

The decision to let the lira continue floating was announced by Mr Piero Barucci, the treasury minister, before returning from Sunday's meeting of Group of Seven finance ministers in Washington. It is a reversal of a pledge last Wednesday by the trea-sury and the Bank of Italy when the lira left the ERM, after falling through the floor set earlier in a realignment against the D-Mark. Mr Barucci refused to be tied

to a timetable for the re-entry of the lira into the EMS. However, officials in Rome said this was unlikely to a matter of days or even weeks. They said the authorities would be waiting to see whether the markets stabilised, while moni-toring moves by Italy's partners to reassess the workings of the EMS in the wake of the turbulence of the last ten days.

The Italian government could now wait until parliament approves the 1993 budget, which was outlined on Thursday. The budget has to be approved by the end of the year and traditionally the parliamentary debate has lasted at least three months. If this is the case the lira could float until Christmas.

"It is better like this than risking a new fall (of the lira inside the EMS)," Mr Pier Carlo Marengo, managing director of the commercial bank Comit, said.

However, Italian officials were anxious to distance them-selves from the British stance on an indefinite float of the pound. Mr Barucci said he was aware of Italy's obligations and was anxious to re-enter the EMS as soon as possible. The Italians recognise that without such a commitment they risk alienating further the markets. Indeed, this desire to signal good intentions appears to have been behind Italy's pledge to return to the EMS today. At the time the markets were surprised the Italians could even contemplate returning so soon after the French referendum on Maastricht and when the outlook for European curren-

cies remained unstable. Yesterday the lira was trad-ing at L838.98 against the D-Mark, showing marginally improved sentiment following the narrow French approval of Maastricht. But this represents a 10 per cent devaluation against the D-Mark, compared to the 7 per cent realignment permitted last Monday. One economist suggested a realistic floor might be L850 against the

The 1993 budget proposals, alming to raise an extra L93,000bn in revenues and spending cuts, were discussed yesterday between the prime minister and representatives of the main trade union confederations, CGIL, UIL and CISL.

The unions have called a series of rolling four hour strikes by regions beginning today, to protest the severity of some of the measures. They are attempting to force the government to water down its intention to freeze public sector employment, ease the cap of pension outlays and reduce the cuts in free health care.

The unions are concerned that the inflationary impact of devaluation will undermine the agreement signed at the end of July with the government and the employers abolishing indexed wages. The preliminary inflation figures for September show an annualised rate of 5.3 per cent.

# Sterling weakness hits punt

By Tim Coone in Dublin

THE prospect of a realignment of the Irish punt, despite emphatic rejections of such a measure by the Dublin govern-ment, continued to put the cur-rency and Irish government bonds under pressure yesterday as markets grappled with the implications of France's

narrow Yes vote.

The punt fell to its floor of DM2.619 in the European exchange rate mechanism again yesterday, in thin trad-ing, but heavy dealings were reported in government stock. The weakness in sterling is the weakness in steams to the key factor bearing down on the Irish currency. More than 30 per cent of Irish exports go to the UK.

Mr Brendan Lynch, a senior

economist at the specialist bonds trading firm Bloxham in Dublin, said: "The market is very bearish. There is a prospect of realignment hanging over the market. Where ster-

ling is going is very important sterling left the ERM last He said trading in Irish gov-

ernment bonds yesterday was again high. The benchmark nine-year 2001 stock, in which German investors are most active, has seen its yield rise by 0.6 points to 9.57 per cent in the last week, indicating heavy selling pressure. The longerterm stocks, mostly held by Irish institutions, have seen yields rise by around 0.3 points

in the past week.
"There are similarities between now and 1986, when tremendous weakness of ster-ling forced a unilateral realignment of the punt within the ERM," Mr Lynch said.

Sterling fell by some 16 per cent against the punt in late 1985 and early 1986, before a devaluation of the punt was forced on the Irish authorities. Sterling has now fallen by almost 12 per cent against the punt since the summer, 8.5 percentage points of that since

Mr Alan McCarthy, chief executive of the Irish Trade Board, said: "It is clear that the profitability of Irish exporters to Britain will suffer in the short term and there will be increased pressure in the Irish market as British firms become more competitive here."

He said that over the past five years, Irish exports to Britain, excluding automatic data processing equipment, had increased by 83 per cent. For indigenous Irish compa-nies the UK market accounts for 45 per cent of their exports, and 30.7 per cent of Irish exports overall.

According to Mr David Groghan, chief economist of the Confederation of Irish Industry (CII): "We would not want to contemplate a realign-ment. A lot has been done to build up the credibility of the punt over the last five years. We are firmly in favour of

The Irish economy is now in much better shape than it was in 1986. The government should not give in to the temp-tation to devalue, which would cause a loss of confidence which we would have to live with for the next decade."

Mr Albert Reynolds, the prime minister, again empha-sised yesterday that there would be no devaluation of the punt and said the turbulence of recent weeks "demonstrates the need and benefits of a single European central bank and a single European currency...
If there is to be a fast-track to monetary union, then we will be in it. The sooner there is a

single currency the better." He conceded at the weekend, however, that should sterling fall by more than 14 per cent against the punt, this would erode all the margin of competitiveness that Ireland had built up against the UK economy



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yesterday shortly before the opening of currency quotations

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# City looks for clues to shape of new economic policy

City about an early cut in interest rates faded slightly yesterday, the focus o attention swung towards the likely building blocks for any new government economic

With Britain likely to wait some months before looking to rejoin the European exchange rate mechanism, the Treasury will want to pay more atten-tion to the direction of fiscal and monetary policy and the level of the pound in its efforts to influence demand. At the same time it will try to keep a close eye on trends in inflation, possibly with new ways to monitor money supply and asset prices.

The word from the Treasury is that it will be in no harry to finalise the details. In his address to parliament on Thursday, Mr Norman Lamont, the chancellor, is expected to concentrate on the background to last week's humiliating decision to suspend ERM memberwith any grand designs for

sense of torpor at the Treasury. which is coming to terms with having lost its main economic rudder in the shape of ERM membership. The department will also want time to assess

how the devaluation of sterling may be helping to buoy the economy, even while base rates remain relatively high at 10 per cent. In tune with the lower expectations of a cut in borrowing costs, the FT-SE 100 share index fell back yesterday, after having gained nearly 200 points on Thursday and Friday last week. Last night, the pound closed in London down 7½ pfennigs at DM2.5375, or about 24 pfennigs below its ERM floor of DM2.778.

A rule of thumb among some economists is that a depreciation of 4 per cent in the pound as measured by the Bank of England's trade-weighted ster-ling index - which tracks the pound against important cur-

That partly stems from a and dollar - is equivalent to a cut in interest rates of 1 per-

centage point.

Applying that rule to what has happened to sterling over the past four months provides the sense of a considerable loosening in economic policy.

Since May 27 - when ster-ling closed in London at DM2.945, just below its DM2.95 central ERM rate - the pound has declined against the D-Mark by 14 per cent. According to the sterling index, the depreciation has been slightly lower at 10 per cent. If the economists' rule is taken seri-ously, that is equivalent to more than 2 points off interest

Calculations of this kind may explain why the govern-ment appears to be acting cautiously over cutting base rates. However, in spite of the less bullish tone in the City yesterday about immediate cuts in loan costs, many private-sector

will come down to 9 per cent by the start of the Conservative party conference on October 6, with possibly a further cut by the end of the year. A fall in the exchange rate influences the economy largely by reducing the price of exports and by making imports more expensive. It thus helps

reduces price competition for UK-based companies in the domestic market. That last factor is important for many smaller manufacturers which earn the lion's share of their profits from UK sales.

exporters, mainly in the manu-

facturing sector, and also

With exports and imports of tradable goods each accounting for roughly a fifth of the economy, the short-term effects of a devaluation can be significant. The worry for policymakers however, is that the benefits may be quickly eaten up through higher import prices pushing up inflation and thus influencing the level of wage costs, cancelling any gains to productivity among manufac-

Mr Douglas Godden, economist at the Confederation of British Industry, said: "With unemployment at 2.8m and the labour market extremely weak, there is a good chance that companies may be in a better position than in previous devaluations to resist inflationary pressures feeding into

In the new efforts to manage the economy outside the ERM, fiscal policy will also be more important. According to Mr Michael Saunders, UK economist at the London office of Salomon Brothers, the New York bank, fiscal policy has been considerably loosened in recent years as the government sed restraints on public spending and has been forced to step up social security spending for jobless people and their families. According to the latest consensus of City forecasts, gen-eral government spending, which accounts for about a increase by 1.6 per cent this year in the context of a contraction in gross domestic product likely to total 0.6 per

n an environment in which demand is likely to be boosted both by the effects of a likely easing in monetary policy and by the large sterling devaluation, Mr Saunders thinks the government will need to tighten its fiscal policy to keep the economy on an even keel and prevent a build-up in inflationary pres-

"If I were the Treasury I would be trying to cut into the £244.5bn planning total for public spending due in 1993-94," Mr Saunders said. Even with some cuts, Mr Saunders is still pencilling in a public-sector borrowing require-

ment in 1993-94 running to about 640bn, representing more than 6 per cent of GDP. With the pound's deprecia-

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tion having given the economy a considerable boost, the Treasury will be keen to prevent the currency going into a further fail - another reason for caution about cutting interest rates. Many economists feel that the Treasury would ide-ally like to stabilise the pound at about DM2.60, a level it might make sense to seek as a central rate if sterling rejoins the ERM over the next six months.

Assuming interest rates were to fall by 2 percentage points by the end of the year, sterling could be expected to decline to as low as DM2.40. However, the currency could then find support on expectations about lower German interest rates

As for inflation, that is one area where Mr Lamont can

Peter Marsh on ways in which Treasury strategy may change after Britain's ERM withdrawal August, the increase in the retail prices index was 3.6 per cent. as opposed to nearly 11 per cent around the end of 1990. However, some economists are worried that, should Mr Lamont let sterling drift too much and switch too quickly to lower interest rates, inthtionary forces might once again be a concern...

According to Mr David Smith, UK economist at bro-kers Williams de Brue, the correct course for Mr Lamont is to treat pleas to cut credit rates with extreme caution and to concentrate on ways to help exporters via a lower exchange

There is a lot of money sitting in interest-bearing deposits in the consumer sector which, should interest rates come down too quickly, could quickly find its way into the economy and give a big boost to inflation," said Mr Smith. "Mr Lamont has to be extremely careful about the consequences for inflation of whatever he decides on economic strategy.

**Tebbit** 

renews

call for

rails".

referendum

LORD TEBBIT, former Conservative party chairman, vesterday renewed his call for a referendum on the Maas-

tricht treaty, saying the result of the French vote had

knocked progress to monetary union "completely off the

He added: "Perhaps it is time

for the people of Britain to

have a say. A referendum on

the issue would clear the air.

and make it much easier for John Major to speak for the country in the certainty that

he was speaking for all the

# Major lives to fight another day in Europe

A BATTERED Mr John Major will live to fight another day and the rest of Europe is not rushing to write him off. In capitals throughout the European Community, officials and commentators show more sympathy than Schadenfreude at Britain's grand economic

EC officials in Brussels are emphasising their understanding for the way that Mr Major is caught between domestic realities and the need to show leadership during Britain's presidency of the Community

One acerbic comment, however, came from a European ambassador. Pointing to Britain's stream of requests that the Bundesbank cut lending rates in the interests of the rest of Europe, the ambassador said: "It is ironic that the one country who doesn't want a European central bank is asking the Bundesbank to behave

like one. There has been irritation in Bonn over Britain's attempts to make Germany the scapegoat for its withdrawal from the European exchange rate mechanism. In contrast to the raucous mass-circulation newspaper Bild, which last week called the UK "the great loser of the currency battle". Ger-man government officials have been couching their remarks in tones of studied politeness.

German journalists show similar compunction. Mr Josef Joffe, foreign policy commentator of the Süddeutsche Zeitung. the Munich-based dally newspaper, said Mr Major's position had not been devalued. He praised the decision to break the D-Mark link, saying: "Sometimes realism is the bet-

ter part of valour." He said that when the EC's 12 heads of government met at their emergency summit next month, Mr Major would "be in good company". He added: Every single member of the group will be groggy and on the ropes. They all have to think about what to do next. Chancellor [Helmut] Kohl might say that the train to Andrew Hill in Brussels.

it has stopped."

Mr Robert Leicht, deputy editor of Die Zeit in Hamburg, said he believed Mr Kohl's relationship with Mr Major would not suffer as a result of the recriminations over sterling. "Kohl was very proud to have better links with Major than with Mrs Thatcher [the former prime minister, now Lady Thatcher]. It will soon return to business as usual," he said. Provided Mr Major could steer his way through the coming Conservative party conference, his position would not be unduly weakened, Mr Leicht

instead of suggesting that Germany could take a more independent foreign policy, Mr Leicht said: "Kohl is now much more reliant on a good relationship with Major over foreign policy. The whole process of German unification is dependent on foreign acceptance. We cannot go it alone."

Mr Günther Nonnenmacher. foreign commentator of the tung, pointed yesterday to growing opposition to Mr Major from parliamentary sup-porters of Lady Thatcher. But he also warned that Germany itself could suffer from a continuation of the currency turbulence that sank the pound.

French commentators. uneasily aware that the franc might be the next to experience the tender attention of currency speculators, are also in no mood to sling arrows. Politicians and the press. absorbed by the referendum, have paid so little attention to the UK's ERM withdrawal that they are now rather surprised at the domestic impact.

"We are rather astonished to see so many British commentators virtually writing off Mr Major politically." said a French foreign ministry official said yesterday. He added: "Surely French approval of Maastricht will now give the markets a chance to calm, and Mr Major a breathing space. Additional reporting by David Buchan in Paris and



London International Financial Futures and Options Exchange traders deal in D-Mark interest rate futures yesterday, the first day of trading after the French referendum

# Uncertain future for pay bargaining

By David Goodhart, Labour Editor

ANNUAL PAY increases over the last 18 months have halved - from about 9 per cent to just over 4 per cent - and unit labour cost increases in manufacturing industry have fallen to 2 per cent.

Most analysts attribute that primarily to falling inflation and recession but some, includ-ing many union officials, argue that the speed of the fall would not have been attainable without British membership of the exchange rate mechanism.

With no prospect of employers being bailed out by devaluation, and with low inflation locked in, pay bargainers were beginning to shake off an "inflation-plus" mentality and were even comparing pay rises more directly with similar groups in other ERM member

Will Britain's withdrawal from the ERM undermine the discipline of the last two years? The short enswer is that nobody knows, but as withdrawal is almost certain to lead to higher inflation and greater uncertainty, union bar-gainers will be pushing harder to compensate their members.

in the short term they will not necessarily succeed. Britain has withdrawn from the ERM at the end of a wage round in which large groups of workers - such as the 900,000 local government manual workers - have settled for a rise of about 4 per cent on the understanding that inflation

was heading down, not up. If inflation does now rise, those workers will suffer a cut in real pay. With unemployment set to rise for another two years at least, they may not be in a strong position to claw that back next year. Indeed, an analysis of the relationship between wages and prices over the past 10 years by Mr Chris Trinder, of the Public Finance Foundation, found that the lowest growth in real wages came in 1989 and 1990 when inflation took off, briefly, catching many bargainers by surprise. Conversely, the strongest real earnings growth came in the mid 1980s, when infla-tion was relatively low.

Seeking lessons from previous devaluations - such as 1967 or 1976 - is difficult. On both these occasions incomes policies, at least temporarily, prevented a wages catch-up. Also, as the Confederation of

British Industry points out, the bargaining system is now far more flexible. For example about 20 national pay agreements, which usually provided an inflation-covering floor for plant bargainers, have been phased out since the 1970s, and pay in the current recession has been far more sensitive to the performance of different sectors than in previous years.

the retail prices index has been broken to accept that wage rises in the private sector are now more closely linked to company performance. That means that pay trends are likely to follow the pattern

It is not necessary to agree with the CBI that the link with

of corporate winners and losers from the present devaluation - with employees in exporting companies benefiting most. The story may be different in the public sector. Although the Civil Service unions have just settled for modest rises, the

pay review bodies - which cover nearly a third of publicsector workers - are just starting to hear evidence. The government's case for a low rise in its submission to the pay review body for teachthat inflation is defeated because "within the discipline of the ERM there is no prospect of employers being bailed out by a lower exchange rate".

That argument has now been overtaken by events, and without another one to put in its place the government might well have to reject the findings of some of the pay review bodies if it intends to hold down public-sector pay.

in the longer run, leaving the ERM will probably mean losing some of the benefits to rational bargaining of permanently low inflation and international comparisons with related groups in Europe. The extent of the loss depends on how much progress had already been made in absorbing ERM disciplines, and that would not have become clear until the new attitudes had

speak out on Europe yesterday

in what may be their last opportunity to do so. Tomor-row Mr John Smith, party

leader, is set to secure collec-

tive agreement to a clear policy

on Europe at meetings of the

national executive committee,

Labour's ruling body, and the

shadow cabinet, Party chiefs

cabinet members will have to

Yesterday, however, Mr Bryan Gould, shadow national

heritage secretary, renewed his

call for a referendum in

Britain. "If we were to face the prospect of having to endorse

take the view that it should not be done without consulting

the British people," he said. He described the treaty as

fatally wounded by the close-ness of the French referendum

result. "The trouble is that it

won't lie down and die," he said. "What it needs is for our

political leaders to have the

burial.

treaty, I would certainly

have made clear that shadow

abide by an agreed policy.

Later, speaking on BBC television's Panorama programme, Lord Tebbit described the Maastricht Treaty as a dead to me that Maastricht is like that famous dead parrot," he

"In short, right now it seems said. "They may try to nail it on to the perch again, but nobody will believe that it is

 The Scottish National party for a referendum on Europe to include a question for Scot-

tish voters on home rule. Mr Alex Salmond, SNP leader, said the narrowness of the French vote made Mr John 🚜 Major's position in refusing to hold a referendum untenable and it was equally untenable for him to deny the Scots z

ballot on their country's future. "Why should the Scots be denied a vote on Europe's future and Scotland's place in Europe when the Danes, the Irish and the French have all

had their say?" said Mr Salmond. "Scotland needs a vote on Europe and a voice in Europe. If closer co-operation is to proceed - and the SNP, despite Maastricht's flaws, hopes that it will - Europe must be brought closer to the people." The SNP annual conference

opens tomorrow in Perth and

on Saturday will debate the

Maastricht agreement.

### Lib Dems warn on uncertainty

MR ALAN BEITH, Liberal Democrat treasury spokesman, called yesterday for a clear statement of the government's economic policy, warning that uncertainty would further undermine the pound.

Mr Beith, speaking in his Berwick-upon Tweed constitu-ency, said: "The cabinet is split over whether Britain should join the ERM and so have delayed the decision but baven't said what their policy is in the meantime.

"This uncertainty will further undermine the pound, and the chancellor is in great danger of allowing the pound to slip so far that interest rate cuts have to be ruled out or reversed because of the inflationary dangers."

### Summit with employers urged

THE executive of the TGWU general union, Britain's largest union, called for an emergency government and unions in the wake of the sterling crisis.

The union said the summit agenda should include an immediate cut in interest rates; investment in transport and other infrastructure projects; an increase in public-sector housebuilding and a substantial training programme, with provision for those in work as well as the unemployed.

# Tory middle ground applauds slowdown Labour turns up Ivo Dawnay and Alison Smith gauge backbench feelings on new view of Maastricht

T TOOK that always rare creature, a fully paid-up Tory intellectual, to make the simple but perhaps most revealing observation.

After the French Yes vote, MP Mr David Willetts, one-time director of the Centre for Policy Studies, remarked that the prime minister was now sounding a great deal less gung-ho on Europe than he had done after the Danish No vote in

Much the same could be said for the vast bulk of Conservative MPs who regard themselves as neither Euro-sceptic

nor Euro-enthusiast. Plucky little Denmark can bleat as much as it likes. But when the pound has been sandbagged by the D-Mark and the French - quintessential apolonity - express doubts, then the ramifications are profound.

Talking to a selection of backbench MPs not clearly identified with either camp in the great Maastricht debate nonstrated yesterday that Mr John Major was wise in his decision to put on the brakes.

initial inquiries showed a surprising consistency in opinions on the central consequences of the past week. First, not one of the five MPs contacted had dissented from the economic and European policies peddled by the government up to just a week ago.

None, also, would level criti-cism either at the prime minister or the chancellor for the conduct of those policies or the attempt to see them through, in spite of Black Wednesday. All also endorsed Mr Major's call for a summit and his warnings that the UK could not go

back into the European exchange rate mechanism until it was reformed. Acknowledging that the events had proved a watershed, three of the five agreed Britain must now accept life in

Europe, then so be it. Caution was the watchword. Mr Willetts, MP for Havant, argued that party feeling was "not a mood to rush into a ringing endorsement" of Masstricht. He thought the domestic circumstances of Germany and France made the prospect of a two-tier Europe less likely than it had seemed in the past. Another member of the new intake, Mr Edward Garnier,

MP for Harborough, took a similar view, claiming that the ambivalence of the French referendum result had "altered the scenery". He added: "There is scepticism in France and concern in Germany about the D-Mark. The road towards union has steepened and hairpin bends have been put in the track." Everything would now

slow down.
Only one of the MPs interviewed admitted to having made a 180-degree turn into outright opposition to the Maastricht blueprint. Mr Gary Streeter, MP for Plymouth Sutton, confessed to having shifted "dramatically" over three months into the No camp.
"A close federation will end

in tears," he said. "There is no heart in this country for political and economic union." If Britain were to return to the ERM it could only be on the basis of an entirely reformed system where flexibility was emphasised. Even that Mr Streeter regarded as unlikely, urging that the gov-ernment instead selze the opportunity to lower interest rates and stimulate industry with tax incentives.

While accepting the inevitability of Britain's ERM with-drawal, Mr Peter Atkinson, MP for Hexham, confessed that the UK would now have a more volatile and less stable econ-He added: "If Britain's Euro-

pean partners are not prepared to alter the system, we cannot go back to it." In the present circum-stances, Mr Willetts said he believed that the priority must be to establish a credible finan-cial framework that can deliver low inflation. His own prefer-

ence would be for a return to monetary targets. Unlike those of his colleagues who are panting for dramatic cuts in interest rates, Mr Willetts is expecting the government to strike a "sober" note on future reductions, in

mons debate on the economy. "Having been on a starvation diet, we can't go on a binge." Such a pragmatic approach

minister's approach in the wake of the currency turmoil and the French plebiscite. It also gells with the views of a veteran observer of the international scene, Mr David Howell, Tory chairman of the cross-party foreign affairs com-

among the new intake of MPs

appears to endorse the prime

He interprets events as pointing towards "if not an actual precise renegotiation of the Maastricht treaty, then a whole range of modifications to it - add-ons and codicils to bring it into the sort of shape needed to address the situation that has now

emerged". The Tory party, he said, wanted a positive path out of the difficulties. "If the new pol-icy of rethinking Maastricht is now developed with vigour, I think the party will follow

# heat on ministers

SENIOR Labour frontbenchers

sought yesterday to go on the offensive over Europe by accusing the government of a return to Thatcherism that would be disastrous both politically and economically. Their efforts were undermined, however, by renewed

evidence of dissent within the shadow cabinet. Mr Tony Blair, shadow home secretary, called on Mr John Major to make clear either that he still believed that Britain's place was at the heart of Europe, or that his words then had been merely a statement of

expediency whose time had Mr Gordon Brown, shadow chancellor, joined those warning of the dangers of a return to monetarism and isolation-ism by challenging the government to explain its policy on inflation now that sterling had been suspended from the European exchange rate mecha-

Labour's frontbench Euro-

Sweden

tries to

markets

SWEDEN'S Central Bank

yesterday cut its overnight lending rate to the banks to 50

per cent from 500 per cent

before trading started, in an

But doubts and confusion

emerged over the exact details

of the all-party budget cuts package announced in outline

on Sunday evening by Sweden's prime minister Mr Carl

Bildt, his coalition party col-leagues and the Social Demo-

After considerable fluctua

cratic opposition.

attempt to calm the markets.

calm

By Robert Taylor in Stockholm

# Gaidar gives monetary policy pledge

By John Lloyd and Dmitri folkov in Moscow

RUSSIA'S acting prime minister, Mr Yegor Gaidar, yes-terday promised that the government would tighten monetary policy over the next six

Speaking to a group of proreform deputies, Mr Gaidar admitted the budget deficit was now "very bad" after a sharp drop in revenues and a rise in payments during the

The deficit is estimated to be running at around 17 per cent of GDP for the first six months, with inflation at about 25 per cent a month and production falling sharply.
Mr Gaidar will have to

defend this record, and call for renewed monetary discipline to a sceptical parliament which

Chem

eferen!

He seems certain to face calls for his resignation from hard line deputies. Both Mr Ivan Rybkin, co-ordinator of

tion and Mr Vladimir Isakov head of Russian Unity, were quoted yesterday by Interfax as calling for his dismissal. The prime minister echoed

some government colleagues in blaming Mr Victor Gerashchenko, acting head of the Russian Central Bank, for loosening the flood gates of

Mr Gaidar said: "He is esponsible for the stability of Elections of a new parlia-ment and president in Estonia

have produced a parliament with a right-nationalist party as biggest group and an inconclusive result on the president. The Fatherland Alliance won just over 20 per cent of the vote, making it the largest party with 28 seats. However, Mr Lennart Meri, leader of the party, came second to Mr Arnold Runtel, the present parliamentary chairman, in the presidential vote - with 28.8 per cent to 42.7 per cent. Parliament must now choose between them.

# pleads his case at UN

By Frances Williams In Geneva and Michael Littlejohns at the UN

MR Milan Panic, prime minister of rump Yugoslavia, flew to New York yesterday to plead his country's case at the United Nations. A meeting of the General Assembly was scheduled today to consider ousting the delegation of Serbia and Montenegro, whose claim to succeed to the Yugoslav seat has been rejected by the Security Council.

Diplomats said last night they had little doubt that the 179-nation body would endorse the decision, making it neces-sary for Belgrade to apply for membership if it wished to reenter the UN.

Arguing his case, the prime minister, said: "Yugoslavia's expulsion is wholly unprec dented. Countries at war like Iraq and Iran were never expelled even though they committed atrocities."

Bosnian foreign minister, Mr Haris Siladjdzic, and Mr Alija Izetbegovich, the Bos-nian president, also left for New York after attending UN-



Serb refugee children wait in line for lunch in a northern Bosnian village surrounded by Moslem and Croat forces

European Community sponsored peace talks in Geneva. The Geneva negotiations will continue between lowerranking delegations and Mr Martti Ahtisaari, the Finnish

Mr Cyrus Vance, co-chairman of the Geneva conference. met Mr Radovan Karadzic, the Bosnian Serb leader, on Sunday to convey disquiet over the continued heavy fighting in Sarejevo and elsewhere in Bosnia. "Unless restraint is exercised by all sides, we are not going to have the climate we need to make progress on a constitutional settlement," Mr Fred Eckhard, spokesman for the Geneva conference, said.

Mr Vance, for the UN, and

Lord Owen, representing the EC, fly to Athens today to dis-

cuss the situation in Macedonia with Mr Konstantinos Mitsotakis, the Greek prime min-

Mr James Grant, executive director of the United Nations Children's Fund (Unicef), said yesterday that all parties to the conflict had agreed special from violence

week of November, by which time Unicef hoped to have distributed clothing, restarted the immunisation programme and got children back to school.

However, he admitted that he had nothing in writing. More than 1,000 children have died, and 30,000 have been wounded, in the Bosnian

tions the Stockholm bourse closed down 1.5 per cent with a SKr380m (£36.9m) turnover. The fall was particularly pronounced in the finance sector with a drop of 4 per cent.

Serious differences of opin ion have emerged over what had been agreed between the government and the Social Democratic opposition over announced on Sunday evening. Crisis talks resumed yesterday and were still going on carly

# Poland's hero strikers fall from grace

Christopher Bobinski and Anthony Robinson report on a sea-change in the country's labour relations

POLAND'S reputation for powerful, strike-prone trade unions is due for revision after the collapse of a seven-week strike at the FSM-Fiat car plant in southern

Poland. The strike began as one of a chutch of labour stoppages in coal and copper mines and at the Mielec aircraft factory which greeted the new coali-tion government headed by Ms

All have now ended without direct government intervention, sending a clear signal to workers and foreign investors of the new government's inten-tion to change the basic rules

of labour relations. The outlines of the policy were revealed earlier this month when Ms Suchocka unveiled an "enterprise pact" calling on the unions and of a European workers to draw up privatisation plans for their enterprises and involve themselves in collective wage bargaining with the latest

management.
The government's refusal to get drawn into the summer strikes, even that at FSM which threatened to derail Fiat's planned \$2bn (£1.1bn) takeover of the company, was the first sign of its determination to change the political and emotional climate surrounding

abour issues. Mr Henryk Goryszewski, the deputy prime minister with overall responsibility for eco-nomic matters, said: "We have to do away with the old idea that strikers are national heroes, lighting for a free Poland against communism. Poland is now a normal country. Strikers' rights to wave the national flag really ended with the first free elections."

Such forthright views represent a sea-change in a country headed by Mr Lech Walesa, probably the most famous strike leader in history, where strikes were the main weapon against the regime for decades.

The groundwork for the new policy was laid by former Soli-darity activists like Mr Jacek Kuron, now the labour minister. He not only has to wean the unions away from strike action but also persuade pen-sioners that their payments must be cut to avoid an infia-

tionary budget deficit.
All these unexpected new developments were only dimly perceived by strikers at FSM demanding wage increases which, if granted, would have driven a coach and horses through the government's eco-

nomic strategy.

A deal which the strikers could have claimed as a victory would have fuelled inflation and discouraged potential foreign investors already put off by a year of political uncer-

For the strikers, however, it was difficult to understand resolution of a conflict. how achieving a "decent living wage" could have had such estastrophic consequences for the Polish economy. We are producing cars of a European quality on the latest machin-

ery. So why can't we be paid more like our counterparts in Italy?" one of the workers

equivalent to 10 per cent of the retail value of Fiat's new Cinquencente model lost them support from unions represent ing workers in other state enterprises who have seen their real wages fall by more than 15 per cent over the last year. Having already been promised a 30 per cent increase by Fiat, the FSM strikers demand for more was per-ceived as both unrealistic and excessive by other unions.

'We are producing cars quality on machinery. So why can't we be paid more like our counterparts in Italy?'

The still-Polish management, backed by Fiat, agreed during talks in July to raise pay 30 per cent above the current average gross wage of around 3m zlotys (£113) per month.

Fiat agreed to pay the rises only when it took over its 90 per cent ownership of the plant. This it refused to do while the strike continued, leaving the financial costs to be borne by the Polish govern-ment. But the strike lost Fiat the production of more than 15,000 of its newest and most popular models and ruined an expensive advertising cam-

To its chagrin, Flat saw Subaru of Japan grab a toehold in a key sector of the Italian market by selling 6,000 of its own small cars in a market deprived of the Polish-made

The strike also stopped recruitment of an additional 2,000 Polish workers needed to man a third shift designed to raise output from 160,000 to 240,000 cars a year.

Faced with government refusal to intervene, lack of support from the Catholic church and growing pressure from the 18,000 non-striking workers at FSM and the older plant at nearby Bialsko Biala, the isolated strikers finally accepted defeat.

But the actors in the drama have paid a high price for the

Polish labour relations will never be quite the same again, but it will take all Fiat's management skills to erase the legacy of hitterness.

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# pledge to emphasise peace role

By Robert Mauthner and lichael Littlejohns at the UN in New York

PRESIDENT George Bush yesterday promised that the US would place greater empha-sis on international peace-keeping and proposed a special summit of the United Nations Security Council to discuss proposals in this field.

Mr Bush's speech on the opening day of the UN General Assembly's annual general debate identified the need for enhanced international peacekeeping capabilities, the prevention of proliferation of weapons of mass destruction, and promotion of economic prosperity as the three greatest challenges facing the interna-

tional community.
"Meeting these challenges will require us to strengthen our collective engagement to transform our collective institutions and will require each of us to look seriously at our own governments and how we conduct our international affairs,"

His speech, which rejected isolationism and stressed the need for nations to adopt outward-looking policies, was seen as a powerful endorsement of the "Agenda for Peace" pub-lished earlier this year by Mr Boutros Boutros Ghali, UN secretary-general, at the request of the Security Council summit

in January this year.

Specifically, Mr Bush endorsed the proposal for standby military forces to be made available by member countries at short notice to the UN secretary general for peace-keeping and humanitarian relief operations, subject to the approval of governments pro-

viding these forces.

The president underlined the need for these forces to be able to train together and for joint planning, crisis management and intelligence capabilities.

The US was prepared to make available its bases and other military facilities for training and field exercises and he had instructed Mr Dick Cheney, defence secretary, to work closely with the UN to see how US air transport, logis-tics and intelligence capabili-tics could best be employed to

support peace-keeping roles.

Mr Bush also promised th the US, which owes a total of \$733m (£414.1m) in regular and peace-keeping contributions to the UN and is the world organisation's biggest debtor, would in future ensure that adequate US financial support would be provided for UN peacekeeping and humanitarian activities.

Mr Boutros Ghali has proposed that funding should be provided from member states' defence budgets in order to prevent delays in transfers of financial contributions.

Emphasising that 20 countries were currently developing nuclear, chemical and biological weapons and ways to deliver them, Mr Bush proposed that the Security Council give assurances to non-nuclear weapon states that its members would help any such state party to the nuclear nonproliferation treaty which was a victim of aggression or the threat of aggression involving nuclear weapons.
In the economic field, the

president urged a strengthening of the Group of Seven industrialised states' co-ordination process, although he gave no details.

in a clear reference to France's endorsement of the Maastricht treaty, Mr Bush said the exact form of European economic integration was for the Europeans to decide. But he pledged the US would stand by the Europeans.

He also promised a reform of US aid policy, moving to a more effective form of economic partnership. He pro-posed setting up a \$1bn economic growth fund which would provide grants and credits to support businesses in need in countries which had undertaken to restructure their

# TV debate perils for both Bush and Clinton

MR BILL CLINTON will appear on a platform in East Lansing, Michigan, tonight but President George Bush will not be alongside him. Indeed the question of when and where the two US presidential candidates will confront each other in debate has front each other in debate has become one of the most intriguing tactical issues of the campaign.

According to the schedule pro-posed by a bipartisan commission of five prominent Republicans and five Democrats, Mr Clinton and Mr Bush were to start a three-match series tonight in East Lansing, followed by

a second in San Diego, California, on October 4 and a final in Richmond. Virginia, on October 15. Senator Al Gore and Mr Dan Quayle, the vice-presidential candidates, were to square off on September 29 in Louis-

ville, Kentucky.
The commission recommended that the format of previous debates be changed, with a single moderator, rather than a panel of three or four journalists, serving as the buffer between the two candidates. The Clinton side accepted the proposal, but the Bush team, under Mr James Baker, campaign supremo, said no. Mr Baker, whose hand is omnipresent but largely invisible, has not gone public with his reasons for backing out of the first backing out of the first confronta-tion. Mr Robert Zoellick, his right hand man, merely said in a weekend television interview that he could not see why a tried and trusted for-mat needed to be changed.

Speculation centres on three main reasons for the reluctance of the Bush camp to participate. The first is the fear that Mr Clinton, adept with words, might show to advan-tage against Mr Bush, who is often not. Civing the challenger an equal platform with the incumbent only

The second argument is that a sin-gle self-effacing moderator is less likely to ask the outlandish "character" question most likely to embar-rass Mr Clinton than a journalist on the panel, the selection of which can be influenced by both campaigns. In 1988, Mr Bernie Shaw, of CNN, asked Democratic runner Mr Michael Dukakis a question concerning the hypothetical rape of a member of his family that put the candidate hope-

lessly on the defensive. Finally, if the 1968 experience is anything to go by, Mr Baker is known to believe that the mere announcement of a debate at a definite future date freezes public opin-ion for several critical days. Well behind in the polls, Mr Bush can hardly afford that.

The latest evidence of this defleit was furnished yesterday by six state poils. The two candidates were dead even in Mr Quayle's home state of Indiana, which the Democrats have not carried since 1964, and in Flo rida, a Republican stronghold. But Mr Clinton was leading by 21 points in Missouri, 19 in Illinois, 14 in Delaware, and eight in Ohio.

This also suggests that Mr Clinton has something to lose by debating Mr Bush and doing badly, which is

why his campaign prefers the single moderator approach. The probable reality is that he will debate with the president in any event, for the obvious reason that whoever ducks out becomes an easy target.

The general expectation is that the

two will debate, either once or twice, in October, as will Senator Gore and Vice-President Quayle. Much may hang on it. At least three recent elec-tions - 1960, 1976 and 1980 - may be said to have been decisively swayed by the debates and it is certainly true that four years ago Mr Dukakis lost an opportunity to restore fading



# Diplomatic link ends Mexican rift with Vatican

in Mexico City

MEXICO and the Vatican have established full diplomatic relations, putting an official end to more than 130 years of churchstate hostility.

Mexico's Foreign Ministry said in a tersely worded com-munique that the decision was based on constitutional reforms last year that gave legal recognition to religious institutions for the first time in more than 70 years.

The reforms overturned Mexico's anti-clerical 1917 constitution and allowed churches to own property and run schools. They also gave priests the right to vote and wear clerical attire in public.

While nearly 90 per cent of Mcxicans are Catholic, the church and state have been in conflict since 1861, when President Benito Juarez expelled the Papal Nuncio. In the last cen-tury the Catholic church owned half Mexico's land and opposed independence from Spain, making it the favourite target of reformers such as President Juarez.

The church also oppose Mexico's 1910 revolution, from which sprang the political party that, under a different name, still runs Mexico. The church-state conflict led to open warfare in the late 1920s as conservative peasants, known as Cristeros, took up

arms against the govern-

President Carlos Salinas. however, has been determined to leave behind the old, anti-clerical and nationalist Mexico and has sought reconciliation

with the church. His legal changes in part clarify what was already com-mon practice in Mexico with laws, such as those against private religious education.

The rapprochement with the church has also strengthened support for President Salinas and the ruling PRI party among millions of conservative Catholics. This is at a time when the party's more tradi-tional constituencies, such as the unions, are suffering as a result of the government's political and economic

### Police fire on Columbus rally

Republic opened fire on a rally to protest at government plans to mark the arrival of Christopher Columbus in the country 500 years ago, writes Canute James in Kingston. One person was killed and several injured in the incident on Sunday. Demonstrators oppose the amount of money the govern-

ment is spending on the event.

The violence and plans for further protest will raise doubts about the Pope's visit to the republic next month. He had been invited to mark the anniversary.

Besides the cost, there is growing opinion in the country that planned events do not attempt to portray the social and economic consequences of Columbus's arrival.

### President must present his defence today

# Pressure grows on Collor

By Christina Lamb in Rio de Janeiro

THE impeachment process against Brazil's President Fernando Collor reaches a critical phase today - the deadline for Mr Collor to present to Congress his defence against sweeping corruption charges. Over the past week, pressure

has been mounting on Mr Collor, with daily pro-impeachment demonstrations throughout Brazil, and the return from Miami of his younger brother Pedro, whose accusations in May prompted the congressional inquiry now threatening to bring down the president.

Mr Collor's mother, Dona Leda, suffered three heart attacks last week after Pedro renewed his charges against his older brother, and is on a life-support machine in a Rio is starting to show signs of lossurrounding roads to disperse

A congressional commission must present its recommendation on impeachment tomorrow. The final vote is expected next week, when a two-thirds majority is needed to unseat the president. The Supreme Court will rule tomorrow on whether this vote is to be open or secret. A secret vote would increase Mr Collor's chances by reducing public pressure on

Mr Collor's strategy is to try to delay the process through legal challenges while trying to win support in congress by releasing funds for assorted

With the impeachment clock ticking against hlm, Mr Collor

hospital. Police have closed ing control. At a dinner for congressmen last week, he shocked guests with an outburst of coarse language against leading political fig-ures, including Mr Ulysses Guimaraes, Brazil's most respected Congressman. Mr Collor's spokesman explained: "It was letting off steam by a man who has been suffering a process of lynching, injustice and slander for over 100 days."

The congressional vote is not Mr Collor's only pre-occupation, with strong indications the Attorney-General will start criminal proceedings against him. Police are investigating alleged use of insider informa tion for commodity trading, manipulation of state pension funds, and drug trafficking

### Saigon shipyard | Bankers hold emergency talks on Argentine debt venture agreed

By Kleran Cooke in Kuala Lumpur

SINGAPORE AND Vietnam have teamed up to develop a ship-building and repair yard on the Saigon River in Ho Chi Minh City.

Keppel Shipyard, a division of the partly Singaporegovernment-owned Keppel conglomerate, and BaSon Shipyard, a repair yard in Vietnam, are to form Keppel BaSon Shipyard & Engineer-ing to provide ship-building, repair and engineering facilities for the region.

Start-up capital will be \$3.5m (£1.9m), with Keppel holding 60 per cent equity, the Vietnamese company the rest. Vietnam's ship-building sec-tor needs considerable foreign

capital and expertise.

By Robert Peston in Washington

ARGENTINA'S leading creditor banks are holding emergency meetings in an attempt to complete restructuring of the country's \$23bn (£12.9bn) commercial bank debt

Senior bank executives are in Washington for the annual meeting of the International Monetary Fund. Citibank, which chairs the advisory committee of Argentina's banks, has called many of them together in midnight meetings at its Washington office in the hope of ending the impasse which has prevented comple-tion of the debt restructuring.

However, a banker present at the first meeting, which fin-ished at 2nm yesterday, said

progress was "painfully slow".
In spring the banks had agreed that Argentina's debt would be converted into two types of bond - discount and par bonds. The deal could not be completed as the banks wanted to convert too much of their debt - 80 per cent of it

- into the per bonds. Mr Domingo Cavallo, Argen-tine economy minister, is making it clear to banks this week that they must take more of the discount bonds as the restructuring would otherwise be too expensive for the government.

The government has to provide more collateral - to guarantee that capital and interest will be paid - for the par bonds than for the discount bonds. Providing this collateral

# Roh ends MP boycott with fair vote pledge

SOUTH KOREA'S National Assembly may resume normal operations this week following President Roh Tae Woo's promise that December's presiden-tial election will be conducted fairly under a neutral caretaker government.

The two main opposition parties have been boycotting the assembly since the spring in protest at the government's decision to postpone the elec-tion of local officials until 1995. The opposition charges that senior local officials, who are at present appointed by the government, would use their influence to support the ruling Democratic Liberal Party (DLP) candidate, Mr Kim Young Sam, in the presidential

Opposition fears were given credence when it was disclosed that local officials in one county bribed voters to support an unsuccessful DLP can-didate in last March's parliamentary election. This followed other allegations that intelligence agency and mili-tary officials engaged in illegal practices to support DLP candidates during that election.

The growing election scandal forced Mr Roh on Friday to announce that a neutral caretaker cabinet would be formed early next month to ensure a fair presidential election, while

he would quit the DLP. The appointment of independent ministers to head the Home Affairs Ministry, which is in charge of local government, and National Security Planning, the intelligence agency, would theoretically guarantee that the government would not use these key agencies to influence the election in favour of the DLP.

opposition Democratic Party, yesterday welcomed Mr Roh's decision and promised to and the boycott of the assembly. The National Assembly must

consider several important secnomic measures, including the

1993 budget, before its current session ends in December.

Mr Roh made his decision under pressure from Mr Rim.

Young Sam, a former opposition leader who merged his party into the DLP in 1990, Mr Kim has been concerned that the election scandal would harm his popularity smoon voters and reduce his lead over

Mr Kim Dae Jung. Mr Kim has also been concerned that allegations of political favouritism regarding the award of government contracts this year could hurt his elec-tion chances.

He recently insisted on the cancellation of a lucrative mobile telephone licence to Sunkyong after the opposition charged that the contract was awarded to the Korean congiomerate because its chairmen is an in-law of Mr Roh.

Some officials in Mr Roh's majority faction of the party are expressing worries about the growing influence of Mr Kim and the possibility that many influential bureaucratic positions may be filled by Mr Kim's supporters if he wins the

presidential election. One new threat to Mr. Kim emerged yesterday with the announcement that Mr. Lee Jong Chan, who stood against Mr Kim for the DLP presidential nomination, will form new political party and possi-bly field a presidential candi date. Mr Lee's party could attract disastisfied elements within the DLP.

### NEWS IN BRIEF

# Zimbabwe orders electricity cuts

because of southern Africa's withering drought, Reuter reports from Harare. The state-run Zimbabwe Electricity Supply Authority (ZESA), told all companies to reduce power consumption by up to 30 per cent and severely curtailed household electricity use.
ZESA said companies and families exceeding their rations could face stiff fines and disconnection.

But the Confederation of Zimbabwe Industries branded ZESA's unprecedented measures as too little, too late in a country which gets its electricity mainly from hydro-electric plants on rivers shrunken by the worst drought this century.

### Germans sentenced for Iraq deal

Three German steel executives were yesterday given suspended sentences for illegally exporting rocket engine parts to Iraq before the 1991 Gulf War, Reuter reports from Bochum. The three, from subsidiaries of German steel and envineering

giant Thyssen, were convicted of knowingly selling Iraq turbo-charged pumps declared as oil and water drilling equipment but intended for military purposes. Prosecutors said the Thyssen pumps were used to upgrade

Soviet-built Scud-B rockets that Iraq fired against Israel and Arab Gulf states during the conflict.

### Macao voters back pro-China line

Candidates supporting China easily swept to victory in an election to retain control of the Legislative Assembly in the Porti-guese enclave of Macao, which returns to Chinese rule in 1988.

guese enclave of Macao, which returns to Chinese rule in 1999, according to final results yesterday, AP reports from Macao. The elections, held on Sunday, were for 16 of the assembly's 23 seats. The remaining seven will be filled by Macao's governor.

Four candidates from two pro-China parties - the Traditional ist Development Union and the Traditionalist Union for the Promotion of Progress - received about 50 per cent of 27,812 votes cast in a direct election. Eight other seats, decaded in granticational conditions and the seats, decaded in grantications. indirect election, were won by business interest organisations that normally support China.

### China to sell uranium to Japan

Tokyo Electric Power, the Japanese power company, yesterday announced an agreement to import 250 short tons of uranium concentrate from China, the first agreement of its kind involving the Chinese product, Robert Thomson reports from Tokyo. The agreement, which calls for delivery over five years, starting nearly year, is part of the Japanese power industry's strategy of diverselying its sources of uranium.

### Koreans to build ethylene plant

Samsung Engineering said yesterday that it had won a bid to build a \$200m ethylene plant in Jilan City, China, in the first important Chinese contract to be awarded to a South Korean company since diplomatic relations were established last month, John Burton writes from Seoul.

# Turkey to buy army helicopters in \$855m US deal

UNITED TECHNOLOGIES of the US has won a long-running battle to sup-ply helicopters to the Turkish armed forces, with the issue of a letter of intent yesterday for co-production of its Sikorsky Black Hawk, a deal worth

\$855m (£483m). More than two years after the initial tender, Turkey's Defence Industry Executive Committee, headed by Mr Suleyman Demirel, the prime minister, announced Sikorsky had been selected to negotiate terms for the joint manufacture of 50 S-70 A multipurpose Black Hawks, with a further 25 sold for immediate delivery.

Agusta of Italy and a French-Ger-

man consortium of Aerospatiale and Messerschmitt-Bölkow Blohm were also in competition. However Sikorsky won vital support from the US Export Import Bank which is to provide export credit guarantees for 80 per cent of the contract. US officials say Eximbank has offered \$1.3bn in support of the Sikorsky bid, its largest ever credit, and the first backing of a

export agency.
US officials say the long-term nature of the co-production deal paves the way for an additional supply of 75

commercial military sale by the US

The Sikorsky contract, originally for 200 helicopters, was tendered six times, before being scaled back

because of budgetary considerations. In January Mr Demirel called on contractors to resubmit bids to include the cost of immediate purchase of up to 50 helicopters in the wake of the escalation of fighting in the Kurdish region.

The deal is one of several contracts under consideration as Turkey enhances its rapid reaction capability in its eight-year struggle with Kurd-ish separatists along its borders with Iran and Iraq.

Turkey's police are negotiating with Russia for the supply of MI-17 troop carrying helicopters. Turkey's defence procurement agency, SSM, signed a \$116m joint production contract with Giat of France for guns and turrets

produced in collaboration with the US company. FMC. An earlier deal with the Swiss company Oerlikon for a 25mm gun was cancelled following Swiss parliamentary objections over Turkey's handling of Kurdish unrest.

Turkey is likely to delay its long-standing ambition of full cus-toms union with the European Community set for 1996, in a bid to protect key domestic industries, according to a senior government official.

Professor Emre Gonensay, the prime minister's economic adviser, said in an interview with the Financial Times that Turkey was on line to eliminate tariffs and introduce a common external tariff but that Ankara

tection for "some sectors" beyond the 1996 deadline. This is the first public admission

that Turkey is considering reschedul-ing the phased elimination of tariff barriers under a 1963 Association Agreement with Brussels, which is the first step to full accession to Community membership More than half Turkey's trade is

with the EC; 57 per cent of its indus-trial exports already enter the community duty free. But special extra budgetary levies exacted on selected imports mean effective rates of protection for domestic production are as high as 50 per cent on items such as

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### Pollution at sea treaty divides delegates

By Bronwen Maddox,

ATTEMPTS to salvage a new international treaty on sea pol-lution were continuing late last night in Paris, after the first day's talks failed to settle the row over whether Britain should be allowed to dump

radioactive waste.
The 12 countries bordering the north-east Atlantic, which are due to sign the treaty today, are divided on whether a moratorium rather a perma nent ban on radioactive waste dumping would be acceptable.

The treaty, which covers all dumping and discharges into the sea, has been dominated by the radioactivity issue. Iceland, Norway, Sweden

and Spain have voiced the fiercest opposition to Britain's position, partly because waters near them were used for dump ing low-level radioactive waste from the 1950s until the present moratorium began in 1982. Mr Klaus Topfer, the German environment minister,

said last weekend that Ger-many might accept a temporary ban, but would press for a longer ban than the 10 years that Britain is suggesting.

The French environment minister, Mrs Segolene Royal, who is chairing the conference, is also understood to favour an extension of the present moratorium. Like Britain, France power stations to decommission in the next two decades.

The UK environment department said: "The UK very much wants to see the new convention signed. It has at present no intention of dumping any radioactive waste . . (but) at the moment it does not have a workable land-based alternative to sea-disposal."

The DoE said that before dumping it would consult other signatories to the treaty and the IAEA, the international nuclear watchdog.

Greenpeace and Friends of the Earth, the environmental pressure groups, accused the conference and the UK govern-ment of threatening to reduce the amount of publicly available data on Atlantic pollution.

### NORTHERN IRELAND

# Extension agreed on Ulster talks

By Tim Coone in Dublin

DEADLINE concluding the talks on the political future of Northern Ireland was yesterday extended beyond the end of this month, in apparent recognition that a conclusion to the complex negotiating process is still some way off.
Yesterday's session of
"strand two" of the talks -

which are taking place in three "strands" - set no new dead-line. But it was decided that after three days of talks in Dublin this week, the next round will go to Belfast next

When the talks began last April, it was intended that they should have concluded by the end of July. This deadline was

extended during the summer, until the end of September. Mr David Andrews, the Irish foreign minister, said the pres-ence in Dublin of leaders of the Ulster Unionist Party was an "historic" event, but added that he did not wish to overemphasise this "out of sensitiv-

ity for the other participants". Yesterday's session at Dublin Castle was the first time since the partition of Ireland in 1922, that unionist leaders had visited Dublin for substantive political discussion

The Democratic Unionist Party, led by the Rev Ian Paisley, is boycotting this week's Dublin phase of the talks arguing that the Irish government has not demonstrated any flexibility over the territorial claim to Northern Ireland which is

Terrorism and security matters, the issues of identity and allegiance, as well as what is considered the central issue of the constitutional status of Northern Ireland were touched upon at yesterday's session.

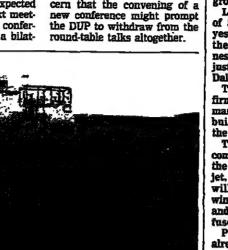
Mr Andrews said afterwards: "The discussions were very positive." But Mr James Molyneaux, the Ulster Unionist Party leader, studiously ignored pleas from the press for a statement as he left the

day's talks.

This evening, a bilateral meeting between the British and Irish governments is due to be held under "strand three" of the process, and is expected to set a date for the next meeting of the Anglo-Irish conference. This will also be a bilatthe context of the 1985 Hillsborough Agreement. It was at the insistence of the

DUP that the Anglo-Irish conferences were suspended last April, to allow the talks pro-cess to proceed - the talks are designed to find a replacement to the agreement. Last month it was agreed

that the next bilateral conference would not be held "before September 28". Both the Brit-ish and Irish governments are concerned that any further postponement of the conference would undermine the 1985 agreement, but there is concern that the convening of a



AFTERMATH: The smoke clears following an explosion at a chemicals plant in Castleford, West Yorkshire. Two people died and 15 were injured, four seriously, at the manufacturing plant of Hickson and Welch, a subsidiary of Hickson International, the chemicals group. Initial reports said the blast happened during routine maintenance on a distillation column used to purify nitrotoluene

# Students find little lure in a taxing career

By Andrew Jack

BEING A tax inspector is the career that appeals least to students, with journalism the most popular, according to the annual MORI survey of finalyear university students.

From a list of industries and professions, 49 per cent said they were "very or fairly interested" in broadcasting and journalism, 39 per cent in pub-

lic relations and 38 per cent in teaching. At least one third were interested in management consultancy, advertising and the civil service.

Just 5 per cent - down from six per cent last year - said they were interested in the tax inspectorate, with 79 per cent saying they were not interested at all. The next least popular options were the Royal Navy, the Army and the Royal Marines. The questions were is 2 per cent lower than last posed in March this year at 18 year. Among the least popular universities to a representative sample of 1,024 final-year

Asked more generally about the field in which they would like to work, 22 per cent said research and development, followed by general management and scientific research.

The proportion interested in finance was 17 per cent, which

subjects are surveying and property development at 3 per cent, and distribution at 2 per

The average expected starting salary was £12,330, which was 2 per cent in real term below the level one year ago. Women's expectations at £11,590 - were significantly below men's, at £12,830.

# BRITAIN IN



### Shorts wins order for business jets

Participation in development of a new business jet programme is expected to secure between 700-800 jobs at Short Brothers, the Belfast aerospace company now part of the Canadian Bombardier

group. Learjet, the sister company of Shorts within Bombardier, yesterday unveiled plans for the new medium-sized busi-ness aircraft, the Learjet 45. just before the opening of the Dallas business aircraft show.

The Canadian company con-firmed that the Belfast-based manufacturer will design and build a major proportion of the airframe.
Three Bombardier aerospace companies are participating in the project. Apart from Lear-

jet, de Havilland in Toronto will be responsible for the wings, and Shorts will design and manufacture the complete Preliminary design work has already started and it is esti-

mated the project could bring 700-800 jobs to Shorts when the aircraft is in full produc-

Shorts is Northern Ireland's largest private employer and already employs more than 8,000 people there.

### Youth Hostels hit by recession

Unemployment in Australia made itself felt in Britain when the Youth Hostels Association announced the closure of its Northern England office in Newcastle.

The association expects overnight visitors at its 230 hostels in England and Wales to fall to 1.9m this year, compared with a 1989 peak of 2.15m.

The drop in Australian visitors was partly off-set by an increase in the number of Americans who have traded down from hotels to youth hostels in an attempt to make their dollars go further.

However, the number of UK hostellers has fallen sharply as youth and student unemployment has hit the association's traditional market. "Our typical member is a 26-year old from London or the south-east. Many are students," said Mr Colin Logan, the association's

Although the cost of a bed can be as low as £3 a night, Mr Logan said the youth hostel husiness was devoid of reces sion-resistant qualities. "The cost of transport is a greater problem than the cost of accommodation," he said.

Broadening the appeal of youth hostelling was also a difficult task. "It would be quite a significant cultural jump from Benidorm to a youth hostel," Mr Logan said.

### Lloyd's finds new business

The provision of unusual types of business at Lloyd's of London took a new turn yesterday with an underwriter launching the first known insurance

against pension fund theft. Syndicate 1007, managed by Spreckley Villers Hunt & Co, is the lead underwriter for insurance cover which will protect pension fund assets for up to £50m.

The policy will provide "first party" cover, which should permit prompt reimbursement once theft has been established without the need for civil or criminal action.

It defines theft as the dishonest appropriation of pension fund property with the intention permanently to deprive the assured of that

property.

Existing insurance cover has only been available for negligent errors or omissions by pension fund trustees and not for deliberate fraud.

### Ignorance of EO schemes

Almost 30 per cent of women workers do not know if their employer has an equal opportunities policy, a survey of 20 blue chip organisations

The survey, conducted by recruitment advertising specialists, Riley Advertising, found that all but one employer had an equal opportunities policy. Researchers questioned both employers and 437 of their women workers. More than half of those women who are aware of their

employer's equal opportunities policies said they were only partly successful. However, more than 80 per cent thought the policies were useful to enable equality of representation for all groups and to help women's promo-

### RTZ cuts 540 jobs

tion prospects.

The savage cuts in RTZ Corpo ration's UK workforce are to continue with 540 job losses at its MK Electric subaidiary which makes plugs, sockets and circuit protection equip-ment. This represents more than 20 per cent of the workforce of 2,600.

Two factories in Edmonton, north London, bear the brunt of the cuts as 330 jobs will go this year and one plant will close. The rest of the 410 job losses in 1992 are at factories in Essex – at Southend and Basildon – and MK's head office will cut its workforce by 130 over the next two years:

This is the second substantial cut in jobs at MK. In Janu ary last year it made 415 employees redundant at Edmonton, Broadstairs in Kent and at its Buckinghamshire distribution depot because the recession had depressed demand for domes-tic appliances and household

electrical wiring. RTZ said that since the start of the recession in 1989 it had eliminated 6,000 jobs or 20 per cent of the workforce at its RTZ Pillar industrial erations in the UK, which include MK.

### Guidance on share ownership

The Department of Trade and Industry has issued guidance on how companies can launch an investigation into the own-ership of their own shares under Section 212 of the 1965 Companies Act.

Public companies are allowed under the act to discover details of any interest in its shares over the previous three years by any person or company that it contacts using

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IN MADRID, you don't need a good food guide. Starting at the Puerta del Sol and eating your way outwards, you'll encounter a bewildering variety of tapas bars, comedores and restaurants to the constant delight of your taste buds. And the traditional eating places of the city are as good a place as any to meet the



"Madrileños". The natives will be more than happy to mark your card for between-meals activities As you'd expect from the European Cultural Capital for 1992, this year's fayed is and expect them to the state of particularly appetizing. Maestros of classical music and the greats of pop and rock will be filling the concert halls. International theatre and ballet companies will also be gracing the and the second s city's stages. And the art world will be adding a little local colour, from the Prado to the

plazas. Whether you find yourself at an art exhibition or football match, the end result is bound to be a celebration. With good reason, the world is coming to eat at Madrid's table

this year. And you are strongly advised to join the party.





# Down a well-travelled road on insider dealing reform

By William Knight

he Company Law Committee of the Law Society last consultation on the proposed law on insider dealing. The problems with the legislation are an example of what happens when technical legislation is brought to parliament with-out public consultation on the draft clauses.

be the subject of public consultation before it is introduced to parliament. There is consulta-tion on the principles involved, but not on the legislation itself.

The Company Law Committee believes that this convention has not served us well and has contributed to the enactment of legislation which does not achieve its aims. Parts of the Companies Act 1989 provide a good example. With the legislation on insider dealing we appear to be headed down the same road.

The committee has commented extensively on the draft clauses. There are two kinds of problems — a basic problem which arises because we are trying to implement a **European Community directive** which has no clear principle behind it; and technical problems which mean that we are in danger of making a bad posi-

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tion worse. At the moment, an individual is not an "insider" unless he or she is connected with the issuer of the securities, or connected with some other body which is involved in a transaction with the issuer, or unless covered by anyone.

are caught.

he or she "has access to such information by virtue of the exercise of his employment, profession or duties". The principle behind this is very hard

to pin down. Added to this, both the direc-There is a convention that tive and the draft legislation of insider in this way then it is primary legislation should not alter the kinds of information very important that we set out which will in future be regarded as "inside" informa-tion. The effect is to make it much more uncertain whether particular facts - or rumours

> The combination of the removal of the connection requirement and the new wide class of inside information leads to difficult and often

information from someone who in his organisation. Those indi-ting an offence. This is irrehas such a connection.

viduals then do obtain access spective of the size of the dealto the information by virtue of ing and whether or not it week called for public this connection, and an indi-their employment. Are they affects the market. vidual will now be an insider if forbidden to deal, and more important, forbidden to encour-

age others to do so? Similar problems arise with journalists who discover unpublished facts about com-

If we are to extend the class very important that we set out the principle behind what we are doing and define clearly whom we are trying to catch.

Then there are the technical problems. Under our present law there is an exception which, in some circumstances, allows an insider to deal where the inside information relates to a transaction and the deal-ing is to facilitate that trans-

Only if the government is prepared to consult publicly on the draft legislation can it hope to get it right

uncertato results. If, for example, a diligent analyst discovers information about a company with the aid of the resources of his firm, does this amount to information which he has obtained "by virtue of the exercise of his

employment"? Arguably it is not - the fact that he is paid to do this sort of work does not mean that he obtains access to the information by virtue of his amplovment if it could have been dis-

the individual is a "tippee" - a person who receives the inside the analyst tells other people

action. This is the exception which allows, for example, a bidder to buy shares in the target in advance of a bid.

The directive contemplates such an exception and the committee believes that there is to be a clause along these lines in the legislation. But the committee has not seen it yet and it is likely to raise difficult technical problems (as does the present law). The committee believes firmly that there is no substitute for public consulta-tion on a point such as this.

At present, the law only applies to deals on the Stock Exchange or through an offmarket dealer who is making a market in the securities. The new law will apparently also apply to deals through or by a professional intermediary.

The result of this can be anomalous. It will mean that a private individual can deal with another, face to face, on the basis of inside information, and not commit an offence. However, if he sells to a professional in exactly the same cir-

sion this seems to mean that a private investor can safely take advantage of another private investor when dealing face to face but can not take advantage of a hardened City professional. This is a very odd

This may also cause problems in relation to underwritmediary will agree, by signing an underwriting agreement to acquire securities at a time when the information relating to the issue has not been made

At the moment there is no offence because the dealing does not take place on market, but it is clear that if this definition is going to change then underwriting will have to be

catered for. There are many other problems and none of them is simple. The solution depends on clearly establishing the princi-ples behind the draft legislation and then discussing its ramifications thoroughly with the workings of the securities

Only if this is done can the UK hope to achieve legislation which is clear enough to catch the insider, but does not impede legitimate business transactions or interfere with the capital raising function of the market

London already has a reputation as a heavily regulated market. It is very important that UK rules are clear, well understood and well known and that legitimate transactions are not affected by quirks It is only if the government

is prepared to consult publicly on the draft legislation that it can hope to get it right and to present parliament with a bill which does not cause more problems than it solves. The author is a partner of City solicitors Simmons & Simmons and chairman of the Law Soci-

### THE NATIONAL EXECUTIVE POWER MINISTRY OF ECONOMY AND PUBLIC WORKS AND UTILITIES SECRETARIAT FOR ENERGY

CALL FOR INTERNATIONAL PUBLIC COMPETITIVE BID NR. UESTY 01/92

Yacyretá Transmission System - Interconection in 500 kV between Yacyretá Hydroelectric Plant and Resistencia Transforming Sta-

The National Executive Power (Secretariat for Energy) through Yacyretá Transmission System Special Unit (UESTY - Decree Nº 1174/92) calls for International Competitive Bid to award a Contract for the Construction, Operation and Maintenance of the first electric linking in 500 kV between Yacyretá Hydroelectric Plant (Province of Corrientes) and Resistencia Transforming Station (Province of Chaco).

**OBJECT:** This Bid object is contracting the Construction, Operation and Maintenance, supplying all necessary materials and equipment, for the works and services on that electropipeline, consideration for contractor consisting of a monthly Rate for availab ility of such interconnection during fifteen (15) years and, therein after, payment of such Compensation as then prevails for electric power transport service provision, which shall be paid by the E.T.E.A.T. (Company in charge of Electric Power Transport in block, already privatized), duly guaranteed.

DATE FOR SUBMITTING ENVELOPES Nº 1 AND Nº 2 AND OPENING ENVELOPE Nº 1: October 30, 1992 at 12.00 a.m., at UESTY's Office.

BIDDING GENERAL CONDITIONS SALES AND ENQUIRIES: Unidad Especial Sistema de Transmisión Yacyretá - Secretaría de Energía Eléctrica. 942 E. Madero Ave. - 1st. Floor - Buenos Aires.

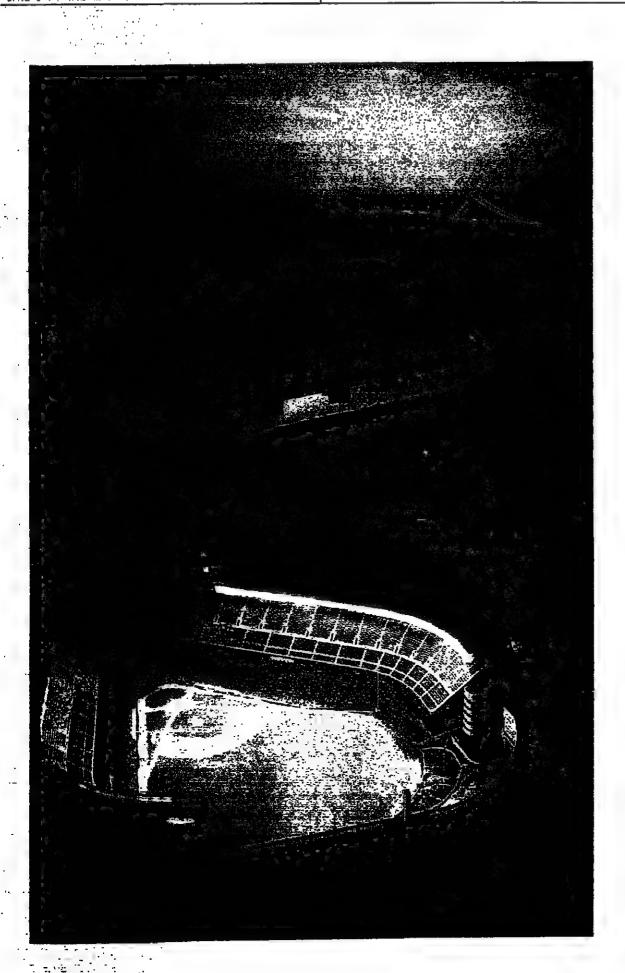
CHARACTERISTICS OF BIDDING GENERAL CONDITIONS: They include pertinent technical documentation.

VALUE OF BIDDING GENERAL CONDITIONS: Pesos twelve thousand (\$ 12,000).

TIMETABLE FOR BIDDING GENERAL CONDITIONS SALES AND ENQUIRIES: Mondays through Fridays, from 11 a.m. to 06.00 p.m., as of September 10, 1992.

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APPOINTMENTS ADVERTISING



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Natural gas - affordable, safe and available - is an increasingly popular choice for driving turbines that generate electrical power all over the world. Although it burns relatively

combustion does produce nitrogen oxide, implicated in acid rain. Abatement techniques have reduced emissions, but heightened awareness among the industrial nations continues to generate tighter legislative controls and the development of ecologically-sound power plants.

Conventional methods of controlling emissions are costly and dampen efficiency. However, ABB research has now developed a way to burn them off. It is a total solution, reducing pollutants while maintaining efficiency, thus consuming less fossil fuel. ABB has installed its innovative "EV-burner" in the Midland Cogeneration Venture, a joint project to produce power for the Dow Chemical Company and the State of Michigan, USA. At full power load, this plant is now producing emission levels well below the world's most stringent requirements.

As a leader in electrical engineering for power generation, transmission and distribution, industry, transportation and environmental control, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible. That means we can help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like burning gas without clouding the sky.

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# PC discs sent down the phone

Sending printed documents has become effortless, thanks to the widespread availability of facsimile machines. But when it comes to sending material from one personal computer to another, even seasoned PC users often find the

task daunting.
At the moment, information is transmitted between PCs - either from a remote PC to the office, or across different networks - down an ordinary telephone line using a

The problem is that the telephone line, which was designed to transfer voice rather than data, can be an unreliable and slow conduit for sending information from a PC.

Now comes the floppy disc transfer machine which will send the entire contents of a 3.5-inch or fiveinch floppy disc down the phone

line to another disc. In order to transfer the informa-tion it is first read by a floppy disc drive. The signals are then compressed so they can be sent down the digital network and decompressed, or expanded, at the other end. Then they are copied on to a disc stored on a receiving machine.

Because they involve the transfer of digital signals, floppy disc trans-fers can only be used where an integrated services digital network (ISDN) is available.

In Japan, where 94 per cent of those who use telephones have access to ISDN services, NTT, the former public telecommunications operator, started selling floppy disc transfer machines two years ago.

The NTT machines are manufactured by Yamaha. The NTT machines can also be used to copy the contents of discs of different sizes on to each other. NEC, the electronics group, has a similar

Europe has still some way to go in building up its ISDN infrastruc-ture but in the UK, BT, the telecommunications group, has been making an effort to expand its ISDN network. BT said that it is currently looking at the floppy disc transfer machine on a trial basis. NTT believes that when ISDN is more widely available in Europe, the floppy disc transfer machine

will find strong demand. In the US, however, the adoption of different ISDN standards by the Baby Bells makes the system it

visit to a biotechnology or pharmaceutical company these days may yield some surprises to the casual

The labs complete with test tubes and scientists in goggles and white coats, are still there, increasingly prominent, though, are computer rooms, where researchers sit in the dark looking at coloured pictures on the screen, and designing the drugs

"These new molecular design methods will become increasingly significant for the industry, and in 10 to 30 years will account for many of the new drugs on the market," said Jaqueline Siegel, an industry analyst at Hambrecht & Quist in New York.

The new method, sometimes referred to as "second generation biotech", is really a convergence of biotechnology with more conventional molecular design.

The biotech industry's traditional

products are proteins for which a useful application has been discovered. But the problem with using proteins as drugs is that they are too big to get through biological barriers in the body. "They are simply too large," explains Joshua Boger, chief executive officer of Bos-ton-based Vertex Pharmaceuticals.

Their size means they must be injected straight into the blood. If taken by mouth, they are broken down in the digestive system. Insulin, considered the first blotech product and one of the smallest proteins <u>in</u> existence, has <u>a</u> molecular weight of 7,000, compared with aspirin, which has a weight of 150.

This is a particular problem because the greatest medical chal-lenge to scientists is fighting dis-eases like cancer and Alds. "Biotech products are too big to be taken orally, and if you want to treat chronic diseases, which require con-tinuous administration, you really need an oral product," Boger said.

Scientists agree that the industry's familiarity with protein struc-ture is invaluable in the search for useful drugs. But the new secondgeneration techniques require a change in philosophy in the industry. Under the new methodology, the protein is no longer thought of as a possible product; rather it is

considered a target. "What we realised is that many chronic diseases are caused by reactions of a single protein within the body." said John Maraganore, head of biglogical research at Bostonbased Biogen. "So if we can design molecules that bind to the protein to somehow affect the reaction, we

may have a useful drug." Vertex is using the new method to work out a cure for the Aids-causing HIV virus. The company Michiyo Nakamoto has discovered an empty space in the protein where a chemical pro-

Victoria Griffith looks at a faster method of getting drugs to market

# Molecules muscle in



cess causes the virus to become active. The hope is that by plugging up that space, the molecule would simply lay dormant in the body.

The product which will probably

come on market first is one developed by a traditional pharmaceutical group, Merck, to prevent glaucoma. In late clinical trials, the product may be on pharmacy shelves as early as 1994.

Squibb and Hoffmann-La Roche are also using second-generation molecular design techniques to come up with new drugs. "(Secondgeneration) is a powerful approach which is being heavily utilised in the industry," said Peter Lomedico, senior director of molecular biology at Hofmann-La Roche

Traditional pharmaceutical companies are approaching the new technique from a different direction than blotechnology firms. Unlike biotechnology companies, pharma-ceutical groups were always in the business of looking for small molecules. The problem was that there

was little method to the madness. "Old-fashioned research methods call for years of random testing," said Boger, who worked for many years in the pharmaceutical industry. "What the scientists do is experiment with substances to see what works. They often use soil samples because they contain so many different compounds. If something accidentally works, they turn it into a drug."

The problem is that this method is costly and lengthy. Traditional drug discovery takes an average of seven years. And the average cost of traditional drug development is a hefty \$220m (£124m) per product. "It's trial and error with too much error." said Boger.

The aim of second-generation biotech is to get drugs on to the mar-ket faster. "The new techniques are a lot better than the traditional grind and find approach," said Sie-

Another problem with traditional drug development is that it creates a product which often has side-effects. "The compound may cleave to the protein you want, but it may bind to other proteins as well," said Boger. "That's what causes side-effects. With new molecular design methods, we try to get as specific as possible, trying to come up with a molecule that binds to just one specific protein."

Whatever direction they are coming from, both biotechnology and pharmaceutical companies are now using similar methods in the new molecular design approach. The latest techniques take advantage of a process called X-ray crystallography, which enables researchers to take a three-dimensional picture of a protein. The protein is then entered on to a computer screen, where scientists design drugs they believe will react with the target molecule. This method is sometimes referred to as "structured rational

drug design".
"It's becoming increasingly like a recipe," explained Maraganore. "if you want to make the compound longer to fit on to the protein better, you add on some amino acids -shorter, and you take a few beads off. What you come up with is not something found in nature, which would be a traditional biotech product, but a unique, designed drug which binds to a specific protein.

Structured rational drug design uses both the protein expertise of the blotechnology firms and the molecular design methods of the pharmaceutical groups. For that reason, many companies find that joint projects are the best road to

"it's the development of this new technique, which uses the expertise of both industries, which is inspiring a lot of the partnerships now forming between blotechnology and pharmaceutical groups," said Sie-

The latest method of drug research is just beginning to take hold in the industry, and no products developed through the technique are yet available on the market. But few doubt that it is the wave of the future. "This is the permanent trend of the industry," said Lomedico of Hoffmann-La Roche. There's no turning back now."

### **Technically Speaking**

# Computers on the home front

By Louise Kehoe

HOW MANY HOW MANY times have we heard that millions of living rooms are about to accommodate a home coma home com-

puter? It seems that every couple of years one or other of the leading personal computer manufacturers takes a new stab at creating consumer interest in computers. To date, the results of their efforts have been less than spec-

tacular. Now here we go again.

Apple Computer and International Business Machines are mounting renewed efforts to address the pascent home computer market. Apple, with a new range of "Performa" Macintosh models, and IBM, with additions to its PS/1 range, aim to open the floodgates of incipient demand which they are convinced is still lurking

behind the front doors of suburban households, Some 7m American families, according to Apple's reckoning, can afford to purchase a personal computer but have not, so far. got around to it. The targeted group is parents of school-age children. These families will have "multiple motivations" to purchase a home

computer. Apple predicts.

Dad and Mum may use the comouter for work they bring home from the office. It will also, Apple suggests, become a tool to work out household finances. Children will use it for their homework. Parents may also use it as an education tool to learn new skills. And everyone will enjoy computer

None of this is new. A decade igo, PC industry executives were expounding the joys of home computing in similar terms. For all of these years, PC makers have been searching for a "compelling application" for the home computer. They have never found it.

So what is going to persuade people to dig into their pockets to buy a home computer now? Apple's US marketing experts suggest that changing patterns of consumer spending, driven by recessionary pressures, should make this latest generation of "home computers" more successful.

Consumers are now looking for

products with "real value", as opposed to products with status or design appeal, according to Apple's research.
Parental concerns about the

so-called "education crisis" in schools, spurring greater efforts to help children learn at home, will prompt home computer sales, the

company predicts. Home office activity is also on the rise as a result of the economic recession, leading to increased demand for home computers. Working parents also want the flexibility to be able to bring work home when they need to.

IBM, similarly, believes the time is right to reach consumers who have sat on the sidelines for the past decade wondering why and whether they really need a computer in the home. A blunter assessment might be

that the 30-40 per cent slide in PC prices over the past year has done what millions of dollars of advertising failed to do: encourage consumers to look again at products that they previously regarded as expensive toys.

At today's prices, perhaps a PC is worth considering. Whether this will translate into strong sales is less certain, with consumer spending in a slump and consumer electronics markets particularly soft.

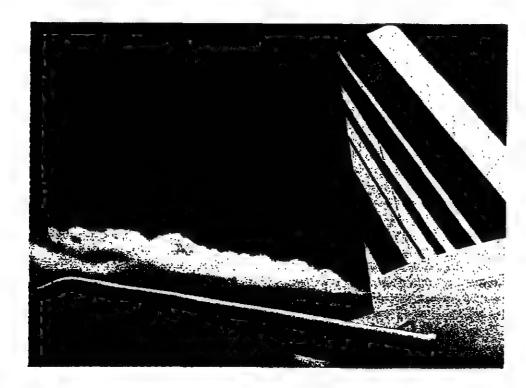
But price-war-weary PC makers are desperate to find new customers, so it is time to give the consumer market another shot. The products that Apple and IBM are offering to consumers are little more than renamed, rebundled office computers.

Apple has added an easier-to-use graphics interface to its new Performa line, but otherwise its "new" products differ little from existing models. Much is also made of the fact that these consumer-oriented computers will be available in department stores.

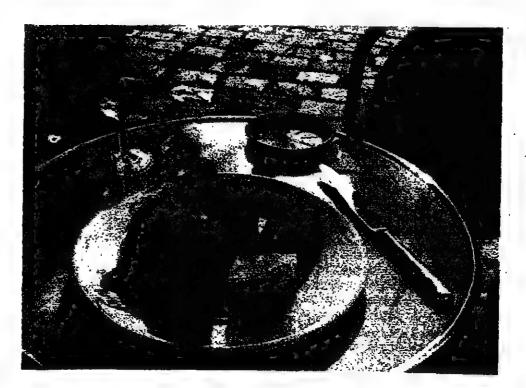
That too, has been tried before. One day there will be real "home computers", but they probably will not look like today's offerings. In the meantime, the "commodity PC", whether it comes with Mickey Mouse software or the same program you use at work, will appeal only to bargain hunt-ers who already know what a PC can and cannot do for them.

14

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### **PEOPLE**

# **Progenitor joins ICI Bioscience**



Non-executive

■ Sir John Stanley MP has retired from CONDER GROUP.

Sir Ivan Ewart has resigned

Wiscount Churchill, md of

Church, Charity and Local Authority Fund Managers, at

James Power at MERCHANT

■ Oluf von Lowzow, chairman of the supervisory board of

Topdanmark and a former

member of the Danish

parliament, at FRIENDS PROVIDENT. Friends

Provident, Topdanmark.

.WASA and AVCB formed

Provident, joins the

Eureko BV. Lord Jenkin of.

Roding, chairman of Friends

aupervisory board of AVCB HOLDING nv.

Sir Denis Forman, former

deputy chairman of Granada

John Lock, recently retired as a director of Prudential

Corporation, at CREDIT &

GUARANTEE INSURANCE.

Brisu Holford, a director of Graham Rintoul & Co Ltd.

Nicholson, and Ward Thomas

at YORKSHIRE-TYNE TEES

TELEVISION HOLDINGS.

at RELYON GROUP.

Sir Ralph Carr-Ellison,

Robert Dickinson Paul

Group, at HAROLD HOLT Ltd.

KLEINWORT CHARTER

INVESTMENT TRUST.

RETAIL GROUP.

directors

INDUSTRIES

RANBLACH.

from EWART.

■Bernard Wheeler bas

Richard Tracey MP at

resigned from BIMEC

who played a central role in advising the planned break-up of ICI is joining the chemicals and pharmaceuticals company next week and will become finance director of ICI Bloscience in January when ICI Bio is split from ICL

John Mayo, 36, a corporate finance director at Warburgs, ICI's lead banker, was called in at the beginning of the year to look at the various options for ICI - which, at the time, was hard-pressed by the 2.8 per cent stake Lord Hanson had taken in the company. The plans for the split, the largest demerger ever in the UK, were announced at the end of July.

Mayo will report to David Barnes, 56, a main board director and long-serving ICI man, who has been named as the

■ Following the departure of Martin Saunders to sort out the Tory party's finances at

central office, David Morris.

its new group finance

Bruce MacPhail, who has a double first in maths and

is a chartered accountant, is

a highly financially literate

a quiet man who hosied

bolts of the figures.

Saunders' predecess

finance director, Andrew

Robb, who moved across to Pilkington in 1989, had been

more active as far as the City

Morris, too, may wish to

adopt a higher profile. With Pest Marwick since 1959, he

the accountancy side, but

aud 1989. In 1989 he was

worked in the management

consultancy arm between 1980

president of the Management Consultancy Association.

responsible for that area. He

P&O is wrestling with a

mountain of debt - gearing standing at around 70 per cent

of its involvement with Laing

Properties since early 1990; one analyst characterises

Morris' new assignment as

acquired partly as the result

does, however, know chairman Lord Sterling and Bruce

While KPMG are P&O's

auditors, Morris was not

MacPhall well.

has spent most of his time on

himself with the nuts and

managing director, so the City saw much less of Saunders,

a senior partner of KPMG Peat Marwick is joining P&O as

.The man from SG Warburg chief executive of Bioscience. The appointment marks another departure from the conglomerate's tradition of producing its own senior executives. While Mayo is not coming on to the board, his will be a senior position, and among current directors, only Colin Short, finance director, joined from outside in 1990. Before that, the last external appointment was Sir Paul Chambers (chairman from 1960-1968) in the 1950s. "Times are different now," says ICI, partly reflecting the changes wrought by the presence of Hanson— which sold its stake in May.

Mayo, a graduate in economics and economic policy from Loughborough University, joined Arthur Andersen in 1978 as an articled clerk. Six years later he moved to Warburgs.

Industries

BOOKER. Tony Clarke, formerly md Taunt rejoins Smiths

No amiable bon mots for some president of weeks from Robin Taunt, newly appointed business development director at Smiths Industries. He is already hard at work in the US learning his new employer's business. Or rather, learning how it has

changed since the late 1970s, when he last worked for the fast-growing, acquisitive bigh technology company.
Then he spent seven years with Smiths in various senior appointments before leaving to become group planning and development manager and eventually security division chief for MK Electric.

His principal role is to look after Smiths' ambitious acquisition programme (and, to a lesser extent, disposals). The group has £95m in cash to snap up bargains in the company's core areas of aerospace elec-tronics, medical systems and specialised industrial products. Taking on debt will prove no barrier if Taunt comes up with a suitably enticing prospect. Now 43, he is a metallurgist

by training and came to grips with acquisitions and divestments through a spell as head of corporate finance for British

His appointment will give economic adviser Gerry Mortimer new freedom to concentrate on strategic planning and investor relations

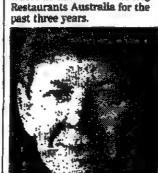


m Mike Russell (above), formerly finance director of Asda Stores, has been appointed finance director of JCB, He succeeds Alan Mellor who has been appointed md of JCB's Japanese joint venture, JCB-SCM. ■ Malcoim Lofts has been promoted to finance director of Bluecrest Foods, part of

international of Official Airlines Guide, has been appointed md of INTERNATIONAL CUSTOMER LOYALTY PROGRAMMES GROUP # James Perrella has been appointed to the board and INGERSOLL-RAND Company

■ Charles Stern, who joined United Newspapers as finance director in July, is also joining the board of its subsidiary, Extel Stern replaced Graham Wilson as finance director at United Newspapers when Wilson became managing director and has now taken his place on Extel's board.

Wilfried Behle, until recently md of Hewi, a nylon hardware product manufacturer, has been appointed marketing and sales director of the newly created NEWMAN TONKS Europe, in Renchen, Germany, **■ Colin Stacey (below)** has been appointed coo of The Keg, WHITEREAD's North American restaurant operation; he moves to



Vancouver from Australia

where he has been ceo of Keg

# Business in Prague

The Prague Karlstein Golf Club, the first 18 hole course in Prague, has been designed as a focal point for the Prague business community. With the facilities of a first class golf club and business centre it is the logical place in which to meet local businesses and opportunities as well as enjoy golf on a challenging and beautiful championship course. Equity memberships now available at 15,000 Swiss Francs not only provide personal or corporate membership to this prestigious club but also offer a resaleable and increasingly valuable asset.

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Part of our lives

t has been a trying week for Chris Tubbs, managing director of Wiltshire-based Tubbs Elastics, a family-owned business with sales of nearly £8m and

200 employees. Last Thursday's threatened five point increase in interest rates had Tubbs postponing several spending

He put on hold approval for the purchase of three new directors' cars, delayed implementation of a programme to upgrade the company's computers and cancelled a pho-tocopier machine contract.

But within 24 hours, the chancellor had reversed the interest rate rises and Tubbs had reinstated his spending plans. As the Forum of Private Business, a small firms lobby group, reminded the government last week: "Unstable interest rates prevent businesses planning ahead with certainty."

How are businesses to cope with gyrating interest rates? Smaller firms do not have their own treasury departments and they lack ready access to financial management expertise.

Nevertheless, even the smallest firms can carry out some fairly basic financial planning while financial instruments such as "caps", which set an upper limit on interest charges but which were previously reserved for the large corporation, are now available to the smaller business.

As a first step, management should check existing financing arrangements, says Colin Moor of Taurus Banking Consultants. Moor says one client who thought he was paying 8 per cent over base rate discovered he was paying his bank's penalty interest charge of 38 per cent on his entire loan facility. This error had cost him £15,000 in excess charges.

One detail of some loan arrangements which will become more important if interest rates start to fall is the setting of a minimum base rate, says Alastair Winter of the Bank Relationship Consultancy. "Some agreements state that you will never pay less than, for example, 8 per cent," he notes.

Businesses must also check whether the overall structure of their banking arrangement makes sense, advises Phil Doggett of Business Banking Review, a consultancy.

One company was involved in engineering contracts with an average life of 12 months, yet it financed itself with an overdraft which was subject to three-month reviews. This made a nonsense of its financial planning.

Once the business has established that its existing banking arrangements make sense and are errorfree, it should go on to plan its future requirements. How do these Charles Batchelor says entrepreneurs should reassess the ways in which they are funding their enterprises

# Time to take an interest in rates

match up with future expectations on interest rates?

Many companies refuse to plan for interest rate movements, arguing that it is too much effort, that the markets cannot be beaten or that uncovered positions will average out over time anyway. This is fine provided that they can pass on any increase in interest costs to customers without reducing sales, their margins or their market share, says Eric Warner, a director at National

Westminster Capital Markets. Some companies attempt to hedge their bets by dividing their borrowings equally between fixed-rate and variable-rate loans. This implies that they have no expectations at all of the direction of future interest rate movements, says Warner in the Director's Guide to Getting the Best from your Bank.\* But while it may sometimes be the case that rates are as likely to move up as down, it is more often likely that the economic cycle will be tending to push rates in one or other direction.

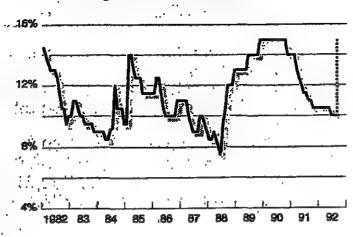
In the six years up to early 1992, sterling interest rates - based on the six months' London inter-bank offered rate (Libor) - averaged just under 12 per cent but fluctuated between 8.4 and 15.25 per cent. Past performance is no reliable guarantee of future trends but a check against the longer-term trend will show whether present interest rates are below the average, and therefore likely to rise, or above average and therefore likely to fall.

In principle, therefore, managers can decide whether they need to increase the proportion of fixed-interest debt in the expectation of higher interest rates in future or increase variable borrowings because they expect a fall.

Many commentators are now expecting interest rates to fall since Britain no longer needs to defend a fixed parity for sterling within the ERM. This may encourage the already strong tendency of British small firms to rely on short-term, fixed-rate borrowings, mainly in the form of overdrafts, though fixedrate borrowings need to be consid-

"We recommend fixed-rate loans

UK clearing banks' base rates



### Financing methods used\*

TYPE OF FINANCE	NUMBER	. PER CENT
Overdraft	151	79.9
Term loan	75	39.7
Leasing	72	38.1
Hire purchase	62	32.8
Share Issues	11	5.8
Factoring	· . 5·	2.6
Involce discounting	7	3.7
Other	11	5.8

Survey of small companies in Essex and Hertfordshire

if a business is particularly susceptible to interest rate movements because the business operates with large borrowings and narrow margins." says Richard Parkinson of the Bank Relationship Consultancy. Despite the banks' urgings to

their small business customers to take up fixed-rate term loans instead of relying on overdrafts only about one-third of small firms

have term loans - there are a num-

ber of disincentives. Fixed-rate loans are not offered on the sharpest terms, notes Parkinson, while the penalties for prepayment can be high. In addition, frontend fees of 11/2 to 2 per cent for term loans are not uncommon and act as a disincentive, says David Burton of the Centre for Consultancy (Surrey).

Another disadvantage of switching from an overdraft to a term loan is that the business may lose the benefit of current account balances. If the company runs an overdraft, payments received reduce the size of that overdraft. If it has a term loan but no overdraft, payments go into the current account, which normally does not earn interest, and make no contribution to reducing

financing charges.

Term loans make strong sense when long-term assets are being bought. Buying land over a 20-year period using finance subject to three-monthly review or recallable "on demand" exposes the business to changes in bank lending policies or to a change in bank manager. The popularity of the overdraft

means that many small businesses do not look beyond that for their finance. However, the banks have begun to tailor some of their finan-cial services to their smaller customers.

Caps - which set a ceiling on the rate of interest which can be charged - are commonly used by larger companies to limit their interest rate exposure. If interest rates exceed the cell-

ing, then the bank pays the com-pany the difference. Until a few years ago, caps were only available in amounts of £5m or more but they have recently become available in smaller amounts. National Westminster Bank now offers a £100,000 cap tailored to "mid-corporate" cus-

Caps may be less popular if interest rates do fall - though they still represent an insurance policy against the unexpected - but companies which have taken out caps may now need to check the terms.

Companies which buy caps frequently reduce their premiums by, at the same time, agreeing a floor. If interest rates fall below the floor level, then the company pays the bank. The prospect of lower interest rates means cap and floor agreements, known as 'collars' may start to become a charge on companies.

Lower interest rates are a temptation to businesses to pay less thought to their financial arrangements but careful planning is still needed.

Doggett says: "At the moment, the businessman asks 'How can I reduce my overdraft?' What he should be saying is 'How can I fix my interest charges? How can I get to medium-term borrowings? What about caps and other products?' He should get his bank manager to be more pro-active."

\*Institute of Directors 34 pages.

Taurus, Tel 0923 270495; Bank Relationship Consultancy, Tel 071 283 5454; Centre for Consultancy, Tel 0483 898888; Business Banking Review, Tel 071 528 8530.

Nutshell

### Speaking the language of Europe

Machinery which crosses European Community borders will have to be accompanied from January 1, 1993 by instructions drawn up in the language of the country where it is to be used. Exporters have apparently been confused by the relevant EC Directive (89/392/CEE) but the European Commission has confirmed that instructions will have to be in the customer's language, according to Transtelex\*, a translating company.

Even if the contract between an English exporter and, say, a German exporter stipulated that the language of the contract was English, this does not absolve the exporter from having the manuals translated into German, it said.

Customers could, in theory, refuse to accept delivery while cus-toms officials could use the absence of a manual to block entry. British companies do not have a good record for providing foreign language manuals and last-minute orders to produce manuals inevitably lead to delays and to higher costs, says Peter Green, Transtelex's marketing manager. \*Tel 071 381 0967.

### Making the big break abroad

A two-day intensive training course to help businesses break into overseas markets will be run by the London Enterprise Agency (LEntA) on November 11 and 18. The course, subsidised by a commercial sponsor, also includes the opportunity for participants to take part in an international exhibition of their choice and six-months of free follow-up

consultancy.

Contact LEntA, 4 Snow Hill, London EC1A 28S. Tel 071 236 3000. Course fee £250.

### How to survive the recovery

When the economy starts to recover from the recession, businesses may find themselves overtaken by decisions which appeared to make sense at the bottom of the downturn but which may lead to difficulties in the longer term.

Marketing budgets may have been cut or investments neglected because of pressure on finance. Recession and Recovery: How Businesses Can Prosper provides an overview of six key areas which businesses need to consider if they are to survive in the longer term.
The booklet, produced by Alex Lawrie, a factoring company, and the Henley Centre, a forecasting consultancy, covers sales and marketing, cash controls, raising finance, distribution, time management and planning. It is aimed at companies with turnover of £100,000 or more.

From Alex Lawrie, Marketing Department, Beaumont House, Beaumont Road, Banbury. Oxfordshire OX16 7RN. Tel 0295 272272 46 pages. Free.

### Conference is a movable feast

The approach of 1993 and the formal creation of the single European market has prompted the organisers of this year's National Small Firms Policy and Research Conference to hold part H.W. THE

of the event in France. The conference, the largest annual get-together of academics specialising in small firms research, will start in Southampton on November 25 and 26 and, after an evening cruise to Cherbourg, continue for its final day in France.

Topics which are expected to be included among the papers to be presented are small firms policies in the recession; the preparedness among small firms for the single market; business ethics; and tensions between local and national policy following the creation of Training and Enterprise Councils.

Contact David Watkins Southampton Institute of Higher Education, East Park Terrace, Southampton SO9 4WW. Tel 0708 2301

### Winning clients and influencing people

Large numbers of senior managers made redundant during the recession have become independent consultants without any training in their new role. This may make them less than effective in marketing themselves to clients or in providing a satisfactory service. Four-day courses in becoming a successful consultant will be run by GMS Executive Leasing\* from October, covering subjects such as consulting skills, financial management and winning clients. Courses start at £850 rising to £1.950.

\*Tel 0582 666970.

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The Aiscism shall take place in accordance with the provisions of actule 46e of Law
1892/1990, the terms and conditions set forth herein and the "Tarms and Conditions of
Sale" contained in the Offering Memoranders. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of
blacing offers shall mean acceptance of such provisions and other terms and canditions.

Blading Offers: For participation in the Auction interested parties are hereby irvited to submit binding offers, not later than the 16th October 1992, 13.00 hours, to the Athers Notary
Public Coope Stefansions, address: 39, Academics Str., Athem, Ich: 301–1645.0422

Binding offers submitted the prescribed time
limit, as referred to horain above, shall neither be accepted mer considered. The offers shall be binding until the night instant.

limit, as referred to horate above, shall neither be accompanied by laters of garrantee, for an associate of Garrantee. Binding offers must be accompanied by laters of garrantee, for an associate of drawing the Binding offers must be accompanied by laters of garrantee, for an associate of the nighty million (20,000,000), inveed, in accordance with the draft form of leave of garrantee contained in the Offering Memoreadam, by a bank legally operating in Greece, to be write until the applications. Letters of garrantee shall be retarned after the night-out-tion. In the event of non-compliance with the provisions and other terms and conditional referred to in paragraph 1 hermost, the letters of garrantee shall be trafficient as a penalty.

If the burden of the shall be stated in person or through a duly archorised agent. Envelopes containing offers ingell be unusuated by the above mentioned Netary Public is his office, on the 19th October 1952, at 11.00 bours. Any pury lawing duly arbunded a binding offer shall be establed to attend and sign the deed attenting the manufing of the blucking offers.

As highest bidder shall be considered the participant whose offer will be judged, by 51% of

of the blacking offices.

As highest bidder shall be considered the participant whose offer will be judged, by \$1% of the Company's creditors (the "Creditors"), at their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.

The liquidator shall give written notice to the highest bidder to appear on the data and place mentioned therein and execute the construct of sale in accordance with the transpossituated in his binding offer said/or say other improved arms which may be suggested by the Creditors and agreed upon. Adjudication shall be doesned to take effect upon execution of the company of sale.

tract of sale.

All courts and expenses of any nature in respect of the participation and the transfer of assets shall be exchanively borns by the participants and the parcheser respectively.

The liquidator and the Creditors shall have no liability are obligation whethere towards the participants in relation to the evaluation of the offers or the appointment of the bighest inidear or any decision to repect or cancel the Anethon or any decision whethere in connection with the proceedings and the making of the Anethon. The liquidator and the sourcy shall have no liability for any legal or actual defects of the assets. Submissions of binding offers shall not create any right for adjudication not the participants shall sequire any right, power or chain from this invitation and/or their participation in the Anetion against the liquidator and/or the Creditors for any reason whatenever.

This invitation has been drafted in Greek and manufacted in English. In any event the Greek version shall prevail.

version shall prevail.

For obtaining the Offering Memoranders and for my forther information please apply to the Liquidstor's agent: Mr. Constantings Christopoulou, 56 Pemephaniou Struct, Athens, Tel. +30-1-363,2047 or \$23,1484, fac: +30-1-321,7905

**ESTABLISHED MANUFACTURERS OF** 

**POLLUTION CONTROL EQUIPMENT** 

**B.T. Sales and Services Limited** 

(t/a BeTex International)

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The Joint Administrative Receivers, D J Stokes and M J Moore, other for

sale the business and assets of the above group of companies which service the Automative, Industrial, Aerospace and Delence Industries

maintenance and testing of systems to COSHH requirements

For further particulous of the assets offered for soile, please comincial D J Stokes of Cork Gully, 1 East Parade, Sheffield S1 2ET. Telephone: 0742 730401. Fax: 0742 598202

Cork Gully

18,000 sq it leased premises in Sheffield, close to lif1.

Principal teatures of the businesses include:

· ganual tumover c.\$2 million

LINIQUE DETOSPOCE SYSTEMS

### REPUBLIC OF POLAND

The Minister of Privatisation acting on behalf of the State Treasury, in accordance with the Privatisation Law (Article 23, 13 July 1990) invites interested parties to negotiations for the acquisition of (not less than 10%) shares in

### **OLZA S.A.**

The company is a manufacturer of confectionery products: Chocolate covered wafer bars (Prince Polo brand)

- Wafer hars
- Prince candy bars
- Chocolate covered nuts and raisins

The Company is located in Cieszyn in Southern Poland: it employs 800 people and had sales of US\$21 mln in 1991. In accordance with the Privatisation Law (Article 24) up to 20% of shares will be offered to company's management and employees on preferential terms.

For further information on how to obtain the Information Memorandum please contact the advisor acting on behalf of the Ministry of Privatisation:

> Central Europe Trust Co. Ltd. Andrè Micrawa, Project Director ul. Parkingowa 1 fax. (48 22) 21 75 73

The deadline for accepting written proposals is 14 October 1992. The Minister of Privatisation reserves the right to cancel this invitation and not to take up negotiations without giving reasons.

CENTRAL EUROPE TRUST

# Hayton Hall Hotel

Carlisle, Cumbria

- This Country House Hotel is offered for sale as a going concern.
- Freehold Property
- 17 Superior en suite bedrooms ● Separate "themed" restaurant with
- seating for 100 people Function suite for up to 300 people

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- 7C acres of lakes and grounds ● AA & RAC 4 star rated
- For more details contact The Joint Administrative Receivers, Les Ross and David G Rowlands of Grant

Thornton, 1 Stanley Street, Liverpool LI 6AD. Tel: 051 227 4211 Fax: 051 236 3429

### Grant Thornton

The U.K. member firm of Grant Thornton International Authorised by the Institute of Chartered Accountants in England and Wales to curry on investment business.

# Brain Haulage Ltd.

concern, the business and assets of Brain Haulage Ltd., comprising haulage and container storage and repair activities

- Principal features include
- Turnover of £16 million p.a.
- Freehold depot at Dagenham and long leasehold depot at Grays.
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- a Expenenced worklorce
- Truck fleet of approximately 200 vehicles.
- High quality customer base.

For further information contact the Joint Administrative Receiver, Howard Evans, KPMG Peat Marwick, 50 Rainsford Road, Chelmstord, Essex CM1 2OL, Tel: (0245) 260443, Fax: (0245) 492771.

KPMG Corporate Recovery

he matematical of The Joset LPA Receives, L. Hondovento IPA and M.C. Witholf FCA of Great Thompson
The Adding Management Control Co.

### THE ASHLEY COURT HOTEL

Micheldever Road, Andover, Hampshire A 3 star rated commercial hotel with 35 letting bedrooms and conference venue set in two acres of grounds.

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Offers are invited for the freehold interest, trade furniture, furnishings and equipment subject to contract

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For further information or to advertise in this section please CONTROL Melanie Miles on 071 873 3308

**FINANCIAL TIMES** 

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BY ORDER OF THE LIQUIDATOR KEITH D. GOODMAN I'CA

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> For Further information please contact Nigel Gomez - Lee; Leonard Curtis & Co, Chartered Accountants, 30 Eastbourne Terrace, London W2 6LF Tel: 071-262 7700 Fax 071 723 6059

REF: NGL / 3

### Major City Centre Hotel

The Joint Administrative Receivers of Regentcellar Limited, PR Copp and A P Supperstone, offer for sale the business and assets of a first class hotel, built in 1986 and located within the city walls of York which is currently managed by Holiday Inns (UK) Limited.

- ♦ 128 bedrooms
- ♦ 2 restaurants and bars

forecast at \$2.6m

- ♦ Conference, banqueting and car parking
- ♦ Freehold title with vacant possession
- if required ♦ Turnover for year to 30 September 1992

# Jones Lang Wootton

Please contact the Receivers sole agents, Jones Lang Wootton International Hotels. 22 Hanover Square, London W1A 2BN Tel: 071-493 6040 (International Hotels)

### Fax: 071-457 3904

STOY HAYWARD ##south A member of Horwath International Acommunis and Business Adviser-Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

8 Baker Street, London W1M 1DA, Tel: 1/71-486 5888.

### WILLIAM HILLARY

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LEISURE AND HOTELS

WILLIAM

### HILLARY 27 HOLES

· BERKSHIRE · Expressions of interest are invited from experienced operators for the 5 year management of The Downshire and Hurst Galf Courses (18 hole, 9 hole, 30 bay driving range & pitch and putt)

PAY AND PLAY GOLF

and a lease of the 2 clubhouses and golf shop Details from:

WIELIAM HELARY & COMPANY, 47 HIGH STREET, SAUSBURY SP1 2QF TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS"

INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Groups of Assets of "KAROLOS FIX Brewery, Ice and Malt Makers SA", of Athens, Greece.

"ETINIKI KEPHALECKI S.A. Administration of assets and Liabilities" of 1, Stephenics stress, Athens, Geooce, in its capacity as Liquidator of "KARCLOS FIX Browery, Ice and Mah Mahees S.A." a company laving its registered office in Adhesis, Grace (the "Company"), which is presently under the status of special liquidation according to the provisions of article 4da of Law 1852/1990.

est bid by submission of scaled binding offers for the separate purchase by publis "Auctions") of one or both of the groups of assets of the Company, described below. BRIEF INFORMATION ON THE COMPANY: The Company was founded in 1920 and was involved in the production, and trade in connection with her way, for and mait making, with the exception of the factory for refrigirance and ice making, the operation of the Company has connect alone 1952, when it was declared under kignidation under Law 2190/1920 and subsequently under Laws 1386/1983 and 1892/1990.

### GROUPS OF ASSETS OFFERED FOR SALE (trief description)

Factory for Refrigerators and for making (1st Anction): such factory is the only production unit of the Company still in operation. It is profitable and the pumber of prosounce amounts to 22. The facilities are located in Piracus, on a land of 4,075 or and include 3 buildings.

facilities are located in Piracus, on a land of 4,075 m² and include 3 buildings.
Group of remaining assets (2nd Anction): The rest of the Company's assets, are officed for sale as a single whole and include the Company's trade marks, as well as real property comprising the following (a) one building (a: factory for between) on a land of 6,509 m² in Albous, at 53, Syngrous are (note: the building has been declared under altestation by the Albous Municipality), (b) one building (c: factory for malt and refrigerations) on a land of 10,600 m² in Athens, at 307-309 Paissions are (note: a 2,756 m² portion of the land has been declared by the Athens Municipality as being of common unit) (c) other lands in Athens (705 m²), in Piracus (354 m²), in learnin (234,150 m²), in Prevent (2,690 m²) and in Hersellen, Costo (846 m²).

ATION: Interested parties may obtain an med groups of spaces and any further Memorandum for each of the above mentione on, upon execution of a confidentiality agreement.

### TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46s of Law 1892/1990, the terms and conditions set forth besein sed the "Torms and Conditions of sale" constained in the respective Offering Memorandams. Such provisions and other terms and constituous shall apply irrespective of whether they are mentioned herein or and: Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 16th October 1992, 13.00 hours to the Atlens Notary Public Augus Taufara, address: 10-12, [ppocratous str., Atlens, tak +30-1-161-953, or 364-31, 37-36-36.

Albers Notary Public Amm Taslara, address: 10-12, [procretous str., Athens, tel: +30-1-161,95.32 or 36-5.3.12.

Bhiding offers submitted later than the prescribed time limit, as sofemed to berchashows, shall be there be accepted nor considered. The offers stall be binding until the adjudication. Letters of Caster stales. Binding offers must be accompanied by letters of generation, issued in accordance with the draft form of letter of generating contained in the respective Offering Memorandoms, by a bank legally operating in Gener to be wild until the adjudication. The amounts of the betters of generation sense has a follower (a) for the Factory for Refrigeration and ice making (1st Auction): drs. (ifly million (50,000,000); and the Group of remaining assets (2nd Auction): drs. (ifly million (50,000,000); and of generation size if the returned after the adjudication, in the event of non-compliance with the provisions and other terms and conditions referred to be paragraph 1 beverf, the letters of generation of the present of generations of generation of the paragraph 1 beverf, the letters of generations. forfeited as a penalty.

portence as a pensary.

Submissions: Bloding offices together with the intens of guarantee shall be subshited in sealed once lopes. Submissions shall be made in person or through a duly authorized agent.

Envelopes contaming the busing offices shall be measured by the above metathood Notary Public in her office, on the 19th October 1992, at 11.00 hours. Any purty having duly submitted a binding offices hall be entitled to strend and sign the doed enouting the messetting of the beating of As his best bidder shall be considered the participant whose offer will be judged, by \$1% of

As inglicial course status or commences are personant and the company of the Company of the Company of the Company of the Laplaceter, to be in the best injected of all of the creditors of the Company. The liquidator shall give various notice to the highest bidder to appear on the date and place mensioned thench and executes the contents of state in accordance with the arms contained the binding offer and/or any other improved terms which pury be suggested by the Conflicts and agreed upon. Adjudication shall be desired to take effect upon essention of the contract of

is hereby much that special additional becausefull apply in respect of the sale of the r Refrigerators and ice making (Lat Austice), in view of the fact that said production, operation and will be so sold said that the common assets and subject to daily variables, cial lerrors are included in the "Terms and Conditions of Sales" contained to the

respective Offering memorantum and refer to the consideration of the binding offer relation to be value or the current seats the branche of the current assets and a pose armstgement in respect of the variation of the current seats during the period between synhamics of the office and the execution of the content of sets. All costs end expecting of any nations in support of the participation and the transfer of the nators offered hereby for sale shall be exclusively becausely the participants and the purchaser.

respectively.

10. The liquidator and the Creditors shall have no listedity nor obligation whatever towards the participants in relation to the evaluation of the offices or the experiment of the highest bidder or any decision to report or cancel any of the Austicas or any decision whatever in consection with the precentings and the analong of the Austicas. The liquidator and the notary shall have no liability for any legal or actual defacts of the seets. Submission of binding effices shall not create any right for edyscionism for the participants shall equate any right, power or claim from this invitation, and/or their participation in any of the Austicas against the liquidator and/or the Creditors for any reason whatever.

11. This invitation has been drafted in Creek and translated in liquidits. In any event the Creek

For obtaining the Otforing Memoraudoms and for any further information places apply to the Liquidator's agent: Mr. Nicoleos Berberosses, address: 59, Panepistimiou str., ATHENS 105 63, tel.: +30-1-321 50.60, or 321.89.80 or 323.14.84, fam: +30-1-321.79.05.

### INVITATION TO TENDER FOR THE HIGHEST BID for the purchase of the Assets of "E.G.L. PAPER MANUPACTURING OF WESTERN CREECE SA",

of Athens, Creace. "ETHINIKI KEPHALEGU S.A. Administration of Assens and Limbilities" of 1, Signification street ion, in its capacity as Liquidaes of "E.G.L. PAPER MANUFACTURING OF WESTERN"

invites tendors for the highest bid by submission on seeded binding offices for the purchase by public motion (the 'Austion'') of the assets of the Company , as a single whole.

BRIEF INFORMATION: The Company was forciled in 1985 and was involved in the meas of paper, The Company's operation consed in 1991 and up passeonal are consently employed.

The Company's assets instance: (1) Industrial Complete in Petras, comprising buildings of a test spa of 32,614 m² and test built of 289,751 m², (2) Industrial complex in Accion, competelog juil-lings of tool space of 20,169 m² and total built of 200,695 m², built on a lend of 34,841 m², four paper make machines and other such-sained applications and one plot of land of 365 m² and (2) other assets such office furniture, equipment, teach marks etc.

OFFICING MEMORANDUM - PURTHER INFORMATION: Interested parties may obtain the Officing Memorandum in respect of the Catagody and the auron throat and may further information, spen controlled of a confidencially agreement.

Describility agreement.
TERMS AND CONDITIONS OF THE AUCTION The Auction while the process and Control to the Control of the Auction while the process are considered with the previous or of related 46s of Law 1892/1990, the terms and considered act forth burds and the Terms and Considered of the Offering Memoransiam. Such provisions and other terms and considered shall apply irraspective of whether they are mentioned benefit or and, Submission of Minding officer shall meet merceptance of such previous and other terms and considered to the benefit of the Control of the Co

measurements and an interesting and a mentiones principles and a Sachmisson of such previous and other torns and complaines.

Binding Offers: For perticipation in the Austion interested parties are hereby invited to subset bisday offers, not later then the 16th October 1992, 13.00 hours, to the Patral Notery Public Men Frain Fahren-Assignment-Local address: 137, Mainessee ster, Patral, halt +30-612-27.05.00. Binding offers submitted later than the prescribed time limit, as referred to hereinstellows, that | publishe be incupied for considered. The offers shall be binding until the

Letters of Guarantees Bissions offers must be necompassed by letters of guarantees, for an amount of drs sixty million (60,000,000), instead, in accordance with the draft form, of some guarantee constrained in the Offering Merconnelum, by a bunk hegally operating in Greece, to valid until the adjudication. Letters of guarantee shall be returned after the adjudication, in valid until the adjudication. Letters of generation and be returned after the adjudication, better severe of mon-compliance, with the provisions and other teams and conditions referred to in paragraph 1 browd, the letters of generative shall be returned after the adjudication, in the event of mon-compliance with the provisions and other teams and conditions subsered to in paragraph 1 berred, the letters of generative shall be forfeited as a penalty. Substitution subsered to in paragraph 1 berred, the letters of generative shall be induced as a penalty. Substitution of substitution is smalled street-open substitution and shall be made the persons of through a duly substitution of generative open. Envelopen containing the binding offers shall be translated by the shows secutioned Notory Public in her offices, on the 19th October 1992, at III.00 hours. Any purty having duly substituted is building offer shall be entitled to stread and sign the deed scientifing the smealing of the binding offers.

As highest deliberations.

An highest hidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discussion, appet suggestion of the liapablant, to be in the less intensets of all of the creditors of the Company. The Isquidator shall give written nation to the highest hidder to appear on the date and place execute the contract of sale in accords his.ling offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjustication shall be decemed to take affect upon the execution of the contract of

respectively.

The liquidator and the Creditors shall have no linkility nor obligation wintercover, towards the participants to relation to the evaluation of the offices or the appaintment of the highest builder or stay decision to repeat or caused the Auction or any decision whatsourver in connections with the proceedings and the making of the Auction. The legalistic and the story shall have no labelity for any logd or extent defects of the sents. Subsumment of brading officer shall not create any right for adjudication not the participants shall acquire any right for adjudication not the participants shall acquire any right, power or claim from this unvanion under their participation in the Auction against the liquidator shallor the Catestors for my relation what and statement. The anvitation has been drafted in Grook and translated in English. In any event the Guelle version shall prevail.

of the Company: EFTININE KEPHALEOU S.A. Administration of Americ and Linbühins\*, address: 1 Stoulandon Breet, 105 of Athens, Greece, ed.: +30-1-323,14.84, fax: +30-1-321,79,05 (atta: Mr Peter P. Orscopoulos) or the Loyaldator's sgent in Petras: Mr. Dimirios Steates, address: 43-45, 28th October stc., Petras 2622, ed.: +30-61-422,004.

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int administrative receivers offer for sale as a going co-in part or as a whole the besiness and assets of BCH facturing Limited being a subcontract, light empireering Edwicator, Principal Restures are:

- 25,860 sq. ft. lestehold premises in Ardwick, Mr.
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Telephone: 061 831 7121

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### INVITATION

For the seleministon of declarations of interest for the purchase of the masts of TEM TECHNIKI S.A. - STUDIES, CONSTRUCTIONS AND INSTALLATIONS of Finance, Geo This is a second invasion to all interested parties for the submission of sme-binding, written declarations of interest for the purchase of the smeats of TEMEA TECHNER S.A. - STUDIES, CONSTRUCTIONS AND INSTALLATIONS of Piraces, Groups, presently under liquidation. The assets offered for mile (by very of public tender) include the plant in Piraces on a \$63.43m<sup>2</sup>

plot with mechanical equipment, webieles, furniture etc. Declarations of interest should be submisted no later than 9th Ossober 1992 (i.e. within 20 days from the first publication of this nation in the Financial Times on 19th September 1992) to the Liquidator of the Company, ETHNIKI KEPIIALEOU S.A. Administration of Assets and Limilities at 1, Shoulesion Stoom, 105 61 Athens, Greece, tal. +30-1-323,1484, fin: +30-1-

For further information ploute refer to the first publication of this notice in the Finnesi os mentioned above, moder to the Liquidator of the Company (mm. Mr Pear P. Dend from 1000 to 1200 km.).
The Liquidator of the Company (mm. Service P. Dend from 1000 to 1000 km.).

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Fax: 021-233 9707

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6 skilled litters. No charge for goodwill, but applicants will nook to show expetal of £200,000. No agous Apply to Box A4387, Financial Tames, One Southwark Bridge, London SE1 91 IL

FOR SALE

Boz No. A4384, Financial Times, One

Southwark Bridge, Landon SEI 911L

Naples Florida

USA

rugs retail gallery for sale. USS 2,500,000,00.

leventory, fixtures & koys. Contact: Int Bus. Bkr.

Daniel Imperato Tel: 407 832 4221 Fax: 407 832 4313

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Aldeburgh, Suffolk Heritage

Coast, Retirement sale, Illigh

class, old established shop. T/o

£350K, N.P. £53K, 1200 sq. fl.

F/hold £180,800.

Lakey & Co (0394) 273371.

FOR SALE

with 50% net profit on £250k T/O

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Principals only apply an willing:

Bax A4398, Financial Times, One

Southwark Bridge, Lemion SEI 9HL

FOR SALE

Well established Hosiery & Lingeric

Owners Retiring

Distributors/Importers solid

Highly profitable clean cash-co

plus unused cottage

cat, to ClM approx., good GP

EQUIPMENT TRADER AN UNUSUAL OPPORTUNITY to acquire a recession proof 25 year old established and Buyer & seller of high quality refitable business involved with & Nett Profes. Excellent cashflow, the sale of advertising space. At key locations under contract. ecession proof business with Turnover about to exceed fi significant opportunity for exports to Eastern Europe and further expansion, Established 12 years & located Hume million with annual renewals running at 70% year on year. Positive cash flow, no liabilities Counties operating from own meders F/hold premises. For more details oans or debenture etc.

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£97,500 S/C + SAV QUINTON EDWARDS 0635 873200 STUNNING SPANISH

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Juniora, Mean, Pentis & Spiese, 300 Alexander Park, CN 5276, Princeton, New Joney 08543-5276, Attz: Andrew S. Walfman, Esq., (609) 452-0408. Dated: August 3, 1992. BY ORDER OF THE UNITED STATES

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# **Decorative** follower of cubism

William Packer on Juan Gris at the Whitechapel

The Spanish painter, Juan Gris, died in of 1927 at the age of 40, was mourned by, among others, his compatriot and friend of nearly 20 years. Picasso, and his dealer, Henry Kahnweiler. The young artist had arrived in Paris at the age of 20, to be introduced almost at once to the inner circle of the Parisian avant-garde, at the centre of which sat Plcasso, himself barely 26 and already a hero, the blue and rose periods long past, the proto-cubism of "Les Demoiselles d'Avignon" behind him and the great cubist experiment about to begin, Gris was clearly no such prodigy as Picasso, but he showed from the start a certain technical self-assurance and a precocious sophistication in his work. Close as he was to Picasso, however, who for a while occupied the studio next-door in the Bateau Lavoir, he took some time to assimilate the currency of what was going on in Paris in general. and in particular to come to terms with the high-cubist example being proffered just under his nose.

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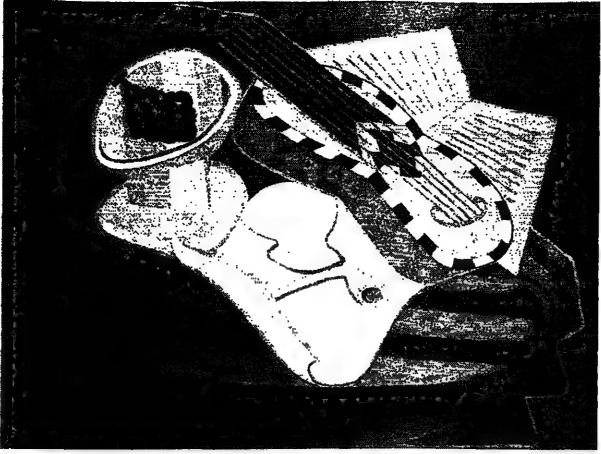
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His own first tentative essays upon cubist principles, with the object but modestly refracted and fragmented date only from 1910 and 1911, following a series of wonderfully dramatic and monumental still-life drawings in the old, grand, traditional manner. Thereafter, through 1911 and 1912, his development into cubism was as rapid as it was assured, and his contract with Kahnweiler soon followed. Yet certain ques-tions remain, for we find little sign in the work of Gris' own personal resolution of the formal and imaginative problems posed so profoundly by Braque and Picasso, even before 1910. The sense is of the conscious adoption of a

style, and a decorative style at that. It would be unfair to suggest that Gris was unique in this respect, for Paris was full of young cubist acolytes, some good, rather more of them not so good. Oris was certainly among the best of them and was, for the next 10 years or so, as true a cubist as any. His active participation at such a level allows him some real significance in the history of modern art, even a moment or two of actual influence. Yet the evidence of the work itself is that, good as he was, Gris remained as he began, an artist essentially of the second rank, never a the game. Did he offer a lead to Braque



'The Guitar with inlaying', 1925, by Juan Gris

leader but always a follower. The temptation with such a figure, given the circumstances of a manifest talent, famous friends, early success and a premature death, is to search too assiduously for significance and originality, to fall for the myth. To do so here, however, is to be as unfair to Gris. For to be a follower at such a level is no mean thing, and for this work to be remembered a real achievement.

This fine exhibition, beautifully cho sen and arranged, gives us the perfect opportunity for just such a fair reappraisal. What it shows us of Gris, in its gentle way, is that his qualities were a function of his limitations. Decorative has become the most delicate of perjoratives, loaded with condescension and damnable faint praise, yet it need not be so. If Gris was indeed a decorative artist, he was so in the most positive way. The thought occurs that at that early moment when he saw cubism in terms of style, and exploited so energetically the opportunity it presented, he may even have been a little ahead of

and Picasso in modifying the rigours of analytical cubism into the more open, playful disciplines of synthetic cubism, from which all the devices of collage, dada, constructivism and surrealism were so soon to follow?

The strong, monumental composition; the clearly stated image; the flat sur-face and the flattened picture-plane; the clean colour - all are virtues of the essentially decorative and graphic artist, by which is meant no slight but only a necessary distinction. What we do not get is the hesitation and rethinking on the canvas itself, the active engagement in the handling the paint and its resolution into image that is the mark of the artist absorbed and unselfconscious. Gris, the stylist, looks ever about him, and in his work throughout. In Gris the edlectic, we pick up hints of his more public preoccupations. Now it is Picasso, most obviously, and Braque; now Chagall and Metzinger, and yet we look on the surface to find his paint always less particular than theirs, the effect brighter, simpler, the apparent complexity of the image often flattering to deceive. The image, the appearance is everything, though to say as much seems too harsh.

The 1920s, however, do indeed see a profound falling off, marked not so much by a change in approach as by a clear loss of confidence. Where, at his best in the mid 1910s, his reworkings of the cubist formulae of fruit and bottles, cups and glasses, cigars, guitars and all the rest of it, were reworked with a real confidence and panache, now it seems he had declined into nothing more than pale imitation and pastiche - at first of the clowns and pierrots of Picasso, last of all of Braque's mid 1920s table-tons and buffets. The last years are very sad.

Juan Gris: Whitechapel Art Gallery until November 29, then on to the Staatsgalerie Stuttgart, and the Kroller-Muller, Otterlo; organised by the Whitechapel in association with the European Arts Festival, with support from the Baring Foundation. Juan Gris', £35, has been published by Yale University Press to coincide with the

Weekend concerts

# New Beginnings

Nagano, conductor-designate of the Hallé Orchestra, has been touring the country with his new orchestra. On Sunday they arrived home at the Free Trade Hall, Manchester, for a concert (broadcast on Radio 3) which was terrifically exhilarating not just in itself but for what it

It was an ambitious programme - works by Messiaen and John Adams (composers with whose music the young American conductor has become closely associated) which had been given their British premieres earlier on the tour, plus a lightly glitter-ing account of the complete Stravinsky Firebird score. All the pieces were executed with exactly the cool confidence and flair that have been missing in the portfolio of Hallé attributes recently. Nagano, as he told radio listeners in an interval talk, has discerned a pressing need to re-create the quality of imagination in this orchestra's programming; it is to this end that his opening series, under the sub-title "New Beginnings", has been directed. The first half, its two offer-

ings, each an attractive contrast with the other, certainly proved the point. Un Sourire (1989) is the penultimate com-position to have been completed before Messiaen's death earlier this year. It is a tiny (5-minute) marvel of "late-music" economy and radiance. Two strands of Messiaenic thought, the hymnally lyrical and the birdsong-percussive, tier.

then brought to repose. Adams, composer of Niron in China and The Death of Klinghoffer, approaches his big projects with big confidence; the huge orchestra for Eldorado (1991), including two synthesizers, wastes no colour-device.

This two-movement symphony - self-proclaimed rather than immediately evident as such treats with disquieted lrony, as well as picturesqueness, two aspects of West Coast exis-The movements are two different sound-landscapes: the

first, called "The Dream of Gold", builds up baleful neo-Shostakovich sonorities; the second, "Soledades", gradually fills its empty space with tingling, desert-inspired patterns, Adams, now firmly into his post-minimalist phase, layers his much-repeated rhythmic and colouristic figures in the manner that appears to draw on Baroque and various 20thcentury (including rock) modes of articulation equally: his musical language proceeds in cells of activity forming foundation pillars to support spans of lyrical line.

The idiom is unfailingly appealing, easy to absorb. What troubles me - here as in the past - is the arrival of climactic gestures produced less out of the heat of argument than through mechanical assembly. Eldorado is a superb concatenation of appliqué effects announcing itself up as something altogether weigh-

Meanwhile, last Thursday and Friday in the Festival Hall there were also New Beginnings - of a rather less confidence-inducing kind. The Lon don Philharmonic Orchestra celebrated its newly achieved position as resident orchestra of the London South Bank Centre with two concerts of triple decker form and three-hour length. If the aim of their programme was to suggest the different kinds of promise for the future that the orchestra now holds under its chief conductor, Franz Welser-Möst, its damp-squib impact must already be raising anxious eye brows. To put it bluntly, the concert was either absurdly illplanned or all too deftly designed to demonstrate Welser-Möst's interpretative imma

The centrepiece, the Schumann Second Symphony, received a glaring performance, loveless, lumpy and driven. Unsparkling, bandmasterly accounts of Prokofiev's Three Oranges Suite and (as encore) the Fledermaus Overture sank spirits ever lower. The message, alas, seems to be that a highly talented young conductor learning on the job is not well placed to lead an orchestra many people still consider London's top-class ensemble into its muchvaunted New Erg.

Max Loppert LPO concerts sponsored by the

# Wagner/London Classical Players

parched and thirsty by our major opera companies in the South-Rast, so it was no surprise that the Festival Hall was close to full on Sunday night. Giuseppe Sinopoli was conducting the Philharmonia in the first act of Die Walkure. with an excellent second-rank principal pair, and the usual bleeding chunks from Götterdämmerung, with the "Immolation" to close.

Without penetrating insights, the performances were sound enough. Neither the Siegmund nor his Sieglinde wielded a particularly beautiful instrument - Robert Schunk's well-schooled tenor is on the dry side (unfettered rapture is not his line), and in low-lying recitative Sabine Hass's pitch was rough and approximate: but both of them offered clear, crunchy diction and an exact appreciation of their words, and both voices found their best lusty focus in the upper register where it matters most.

The brute Hunding was the imposing, ever-reliable bass Kurt Rydl. At the crucial moments, there were honest thrills. Sinopoli obviously knows the score very well, and did nothing eccentric though the Walkire act passed rudely from some dubiously slow tempi in the first scenes. without sufficiently heartfelt playing to justify them, to a manically up-tempo Lenzited and a code like tearaway Ros-

sini. As usual with live, on-thespot Sinopoli, when he doesn't have recording engineers to sort things out (or a Bayreuth band who can do that unaided), the orchestral tuttls were ill-balanced. In ff passages he again let everybody

play at an unmitigated ff, and vital thematic stuff was submerged. Some eight years ago, I observed sourly that his left hand seems to enjoy no functional independence from his right, which beats time assiduously while his left merely mirrors it; that is still true. He owes it to himself, and his repertoire, to acquire a better technique.

Programme-books at the Festival Hall nowadays are never cheap. The Philharmonia ones promised the complete Wagner texts but stopped short of Brünnhilde's last thirty-odd lines, the climax of the "Immolation" (which Miss Hass delivered with full-voiced power and dignity), along with the stage-directions which the late William Mann's recycled programme-notes assured us "describe with perfect accuracy what happens in the music, but is almost never to be seen on the stage". Nobody apologised or explained, nor offered refunds. The concerts was sponsored by the Automotive & Financial Group

**David Murray** The bulk of Roger Norring-ton's programme with his orchestra on Sunday was Brahms - the Tragic Overture and the Second Symphony, played on instruments of the late 19th century. But there was also Beethoven's Second Symphony, performed on the same Brahmsian scale, filtering one composer through the sound world of one of his heirs.

It is difficult to distinguish genuine music exploration from expediency in such a venture. Presenting a Beethoven symphony as Brahms would have heard it might be just a handy novelty that enables the London Classical Players to

retain their period credibility, but it could be a valid attempt to widen the horizons of period performance, to demonstrate how orchestral textures are iust as important a component of music history has harmony or form.

The reality is probably a mixture of practicality and curiousity, for Beethoven played by Brahms's orchestra sounds distinctly odd now -neither lean, early 19th-century fish, nor sleek, overweight 20th-century fowl - muscular in its figuration, yet a shade hombastic in its wind. Norrington's performance was car tainly couched in his Beethovenian terms, propelled by snapping rhythms, sharp sforzandi and hard-edged wind solos. Yet it led on naturally from the Tragic Overture. which became a much punchier and more angry piece than modern instruments construe it, so that one started to believe in Norrington declared intention to make Brahms 'sparkle".

The sound was based upon modest string forces with the double basses arrayed along the back of the wind, and double woodwind. It managed to combine sinewy clarity with enough expressive weight and flexibility to make the great paragraphs of the slow movement tell. It was all welded together by Norrington with irrepressible vigour and panache, crowning the symphony with exuberance and affirmation; the corporate sense of discovery that he generates in his players gave every section of the orchestra a sense of separate identity and

Andrew Clements

# Opera Northern Ireland/Richard Fairman

# Rigoletto and Faust

They were the guests at the masquerade, one with horns, several top-hatted; a barachested cardinal and a few in drag among them, all heading for what was evidently promis-ing to be a night of uninhibited

orgiastic excess. This was the opening of Opera Northern Ireland's new production of *Rigoletto*. In the last few years the company has been winning a reputation for capturing some of the younger operatic talent. The risk has paid off with a run of shows which have been innovative and eye-catching, successes that have increasingly gone towards a strong company profile. That sense of excitement

is in the air again this season. The new Rigoletto has been targetted with a keen eye for the company's adventurous style. Sometimes there were fears that the producer, Tim Coleman, would go too far, but in general he knows when to pull back from the brink and the theatrical expertise on dis-

Amid a riot of noise and colour play was considerable; he cre-the auditorium was filled with ated real people; the series of Gilda's midnight murder, strikthis opera put before us a succession of moving encounters. The relationship between

Rigoletto and Gilda could hardly have been more tender, the pain they shared after her abduction as clear to see as an open wound. Kimm Julian is arguably too tall and commanding a figure to make an ideal Rigoletto, but the inexperienced Gilda was nicely caught by Susannah Waters. In this production Peter

Riberi had no trouble putting across the arrogance of the Duke, although his tenor is on the tense side for Verdi. After the seduction of Gilda he emerged from the shower, the apogée of the narcissistic man in the all-male club of the officers' changing room - one scene where the producer had overdone it. Rachel Hallawell's notably well-Sung Maddalena and Alan Ewing's Sparafucile were more restrained.

With Kenneth Montgomery giving the orchestra a decisive lead, the opera built to a pow-

ston and lit by Paul Pyant, was theatre at its most compelling: the thunderstorm roared from the pit, while Sparafucile stood in the moonlight, refreshing himself in the rain and washing the blood from his body. Chilling stuff.

The other opera was a revival of Faust. This amounts to a less daring vision of Gounod's opera, but the production never muffs any of the difficult moments and has its own touches of originality. The steeples of a medieval German town loom over a market-place and the drama is enacted there, watched by the townsfolk. Using the spoken dialogue was also a bold step.

The outstanding feature here

was the singing of Maureen O'Flynn as Marguerite, whose beautiful soprano with its effortless top was a constant pleasure. Claude Corbeil was the sensitive tenor, who has the makings of a fine Faust if only he can master and his nerves. Guy Belanger made a



Susannah Waters and Kimm Julian in 'Rigoletto'

stylish Méphistophélès, for whom Enid Hartle's devilishly naughty Marthe looked more than a match. Karl Morgan Daymond played a nicely insolent Valentin, with a good top to the voice. The high standard of the

Ulster Orchestra's playing, this time under Stephen Barlow, was again an asset; the chorus is a weaker feature. On this year's showing Opera Northern Ireland is on the right track and its aspirations deserve wholehearted encouragement.

# INTERNATIONAL

### AMSTERDAM

Concertgebouw 20.15 Hartmut Heenchen conducts the Netherlands Philharmonic Orchestra in Mahler's Seventh Symphony. Tomorrow: song recital by Derek Lee Ragin. Fri: Walter Weller conducts the Netherlands Radio Philharmonic Orchestra, Sat afternoon: Alberto Zeddā conducts Donizetti's Maria Stuarda, Sat evening: André Previn conducts the Vienna Philharmonic, Sun: Yurl Bashmet (6718-345) tater 20.15 Dutch

National Ballet in choreographies by Maguy Marin, Hans van Manen and Krzysztof Pastor, also Thurs and Fri. Tomorrow and Sat: Samson et Dallia (6255 455) FLANDERS FESTIVAL Tonight's concert in the Palais des Beaux Arts is given by the Swedish Radio Symphony Orchestra conducted by Ess-Pekka Selonen, with works by Beethoven, Weili and Stravinsky. Tomorrow: Wolfgang Sawallisch conducts the Bavarian

Radio Symphony Orchestra

(repeated on Thurs in Ghent). Sat: piano recital by Murray Perahia. Sun: André Previn conducts the Vienna Philharmonic (640 1525) MONNAIE

Luc Bondy's acclaimed Salzburg Festival production of Salome can be seen this week and next at the Théâtre Royal de la Monnaie, conducted by Antonio Pappano. Catherine Malfitano sings the title role tonight, followed by Karen Huffstodt on Thurs and Sat. Jose van Dam is Jochanaan (219 6341) OTHER EVENTS On Fri at the Palais des Beaux

Arts, Ronald Zollman conducts the Belgian National Orchestra in works by Weber, Rakhmaninov and Dvorak, with an alternative programme on Sun afternoon (507 8200). The Théâtre National has a staging of Dante's Inferno in the Petite Salle. The first new production in the Grande Salle is Corneille's La Place Royale, opening next Fri (217 0303)

### ■ FRANKFURT

ALTE OPER The final week of the Frankfurt Festival includes a Bartok programme conducted by Eliahu inbal tomorrow, Thurs and Fri. Alfred Brendel gives a Beethoven piano recital on Sun. Tomorrow in the Mozart Saal, Dawn Upshaw joins the Arditti Quartet for a performance of Berg's Lyric Suite, and Mitsuko Shiral gives a song recital on Fri (1340 400) **OPERA HOUSE** 

The new season opens on Sat

with a programme of William Forsythe choreographies, followed on Sun by II barblere di Siviglia (236061)

### **■ LONDON** OPERA

 Anne Sofie von Otter and Amanda Roocroft star in a revival of Pler Luigi Pizzi's Royal Opera staging of I Capuleti e I Montecchi tonight at Covent Garden (seven performances till Oct 14). Tomorrow: Hermann Prey Lieder recital. Thurs and Sat: Tosca, with Elizabeth Holleque, Richard Margison and Silvano Carroli. Next Mon: Fidelio Josephine Barstow is Leonora in Nicholas Hytner's new ENO production of La forza tonight and Fri. The repertory also includes Rigoletto tomorrow,

auf Naxos on Thurs (071-836 Glyndebourne Touring Opera opens a month-long season at Sadler's Wells on Thurs. The repertory consists of Katva Kabanova, The Rake's Progress and Le nozze di Figaro (071-278 3916)

Sat and next Mon. and Ariadne

CONCERTS • This week's programme at the Royal Festival Hall begins with the London Philharmonic tonight and tomorrow conducted by Zubin Mehta, with Pinchas Zukerman soloist in Bruch's Violin Concerto. Evgeny Svetlanov conducts the Philharmonia in Mahler's Sixth

Symphony on Thurs, and Yurk Temirkanov conducts the RPO on Fri, with Barbara Hendricks. Sat Svetlanov conducts The Dream of Gerontius, Sun and next Wed: Andrew Davis conducts the BBCSO (071-928 8800) Martin Litton's Red Hol

Peppers play the music of Jelly Roll Morton tomorrow at Queen Elizabeth Hall. Zoltan Kocsis gives a piano recital on Sun afternoon (071-928 8800) Tomasz Bugaj conducts the

Docklands Sinfonietta tomorrow at the Barbican in works by Prokofiev, Lutoslawski and Rakhmaninov. Thurs: opening concert of LSO season. Sat: Pinchas Zukerman recital

### ■ NEW YORK JAZZ/CABARET

Blue Note Max Roach, the drummer recognised internationally as a pioneer in the development of American music, brings his Double Quartet to the Blue Note this week for a six-night, 14-show engagement pairing his regular quartet with members of the Uptown String Quartet. First set at 21.00, daily till Sun. Next week: Bill Evans Quartet, plus John Scofield Quartet. Oct 6-11: Chaka Khan. Oct 13-18: Nancy Wilson (131 West 3rd St, 475 8592) Michael's Pub Mel Tormé is in the midst of a month-long engagement. Backed by a 16-piece band, he dips into the American songbook, including a Duke Ellington salute. Tues

to Sat at 21.15 and 23.15 (211 East 55th St, 758 2272) Algonquin Hotel The Oak Room is currently home to Susannah McCorkle, a fine pop-jazz singer who has been known to root around in the archives for lost or forgotten numbers. Tues to Sat at 21.30 (59 West 44th St, 840

### ■ ROTTERDAM

De Doelen 20.15 You! Levi conducts Rotterdam Philharmonic Orchestra in works by Haydn and Sibelius, also tomorrow and Thurs (413 2490)

### **■ WASHINGTON** CONCERTS/DANCE

 Mstislav Rostropovich conducts tonight's orchestral concert featuring works by Ginastera, Villa Lobos, Copland and others. Thurs, Fri, Sat and next Tues: Rostropovich conducts a Ravel and Tchaikovsky programme, with soloists Horacio Gutierrez, Antonio Meneses and Alberto Lysy (Kennedy Center Concert Hall 467 4600) National Ballet of Canada

gives a week of performances from Sep 29 to Oct 3 (Kennedy Center Opera House 467 4600) THEATRE Troilus and Cressida: a

Shakespeare Theater production directed by Bill Alexander. Till Oct 23 (Lansburgh 393 2700) Bailegangaire: a Thomas Murphy play about an ageing Irish storyteller who reconciles

her battling granddaughters through her stories. Opens tomorrow, runs till Oct 25 (Washington Stage Guild 529

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### **FINANCIAL TIMES**

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday September 22 1992

# UK policy after the debacle

A DEPRESSING feature of the mic prospects before the UK is that both the people and the institutions responsible for the ERM débacle are apparently to remain in charge. Little less dis-turbing is the clamour for dramatically lower interest rates. The UK looks set to embark on another "go" phase in the series of stop-go cycles that mark its decline. Yet there are alternatives. The question is whether the country is too frivolous to choose them.

Judged by their pronouncements after the pound's exit from the ERM, neither the prime minister nor the chancellor fully understood what they were engaged in. To complain of "fault lines" in the ERM as if nobody had ever noticed that the Bundesbank is the pivotal central bank and Germany the main player is peculiar. The Bundeshank's role was the justification for entering the system. Nor can the UK complain persuasively about the unforeseen consequences of German unification, since it was the only member, apart from Portugal, to enter after that event.

Still less reasonable are the government's comments about the unforeseeable nature of last week's events. The tendency for semi-fixed exchange rate systems to generate overwhelming runs on weak currencies is hardly news. Has the Treasury forgotten what happened in 1931?

Nor can blame for the catastrophe be cast on the Bundesbank's whispers against sterling. With little prospect of a domestic recovery, it was the credibility of a commitment to do whatever was necessary to defend sterling not, as officials insisted, the chance of devaluation - that was seen to be zero.

### Limited confidence

Strange though it may now seem, the prime minister was recently musing about when sterling might displace the D-Mark as the ERM's anchor. Now sterling is plummeting fast, to DM2.55 by last night. But wisely, in view of the damage already done to the UK's relations with Germany, the government does not intend an early return to the ERM. As the chancellor of the exchequer has pointed out, this means that Unfortunately, there can now be choose or stick to the right policy?

limited confidence in that judg-

Mr Lamont proposes to look at a number of financial indicators, including narrow money, broad money, asset prices including housing and the sterling exchange rate. Provided emphasis is put on broad money and the exchange rate, this list is sensible enough. will allow the chancellor to justify doing whatever he may find convenient at the time.

### Open debate

The more judgment, rather than rules, are at the heart of policy, the more important become improved institutional arrange ments. The traditional British policy-making structure - ill-suited it now appears, to a policy as sim-ple as ERM membership — is com-pletely inappropriate when judgment must be brought to bear, The combination of official secrecy, unchallenged Treasury supremacy and complete political control over economic policy has failed again and again. Who can doubt that it will fail once more?

What is needed, instead, is open debate of the options, an independent council of economic advisers. a reduction in the powers of the Treasury and an attempt to depoliticise monetary policy. What is needed, in short, is the arrangements Germany has enjoyed since the second world war.

Since policy can never be divorced from politics, such changes are no panaces. The UK may well prove to be irretrievably addicted to inflation. But if the country is about to choose inflation once more, let it at least make that choice openly.

What Mr Lamont chooses to do in the next few weeks is much less important than such reform. But the UK does have a good opportunity for long term growth based first and foremost, on the expan sion of the supply of traded goods Unlike in the much more closed US economy, consumer demand does not have to be revived at all costs. Since the UK suffers from more deeply entrenched inflation ary expectations than does the US the government should also avoid giving the impression that it wants vet another dash for growth. But who now believes

# Good omens from Poland

While western Europe has been holding its breath over the future of the Maastricht treaty, a documont based on concepts worked out before the collapse of communism, significant developments have been taking place beyond the eastern borders of Germany.

Some are negative or ambivalent. The conflicts in former Yugoslavia have become more intracta-ble. Czechs and Slovaks have pressed ahead with a divorce which will probably leave Slovakia in growing economic and political difficulties. The rise of Slovak nationalism, coupled with re-awakened concern for the fate of ethnic Hungarians in Romania and the border lands of former Yugoslavia, is causing concern in Budapest. Hungary's own progress towards market democracy has been marred by signs of ethnic

intolerance.
But it is in Poland, the biggest and most populous of the three central European states aiming for full European Community membership by the start of the 21st century, where the last few months have seen the biggest changes. Happily, they have been mostly changes for the good.

For much of this year Poland.

seemed paralysed by political infighting between President Lech Walesa, the government and the fractious parliament. This issued from last October's general elections, fought on a flawed propor-tional representation system which still needs reform. The main symbol of the government's fallure to get to grips with Poland's problems was a soaring budget delicit.

Impressive coalition

So a degree of scepticism was in order when Mr Walesa asked the previously little known Ms Hanna Suchochka to form a government three months ago. But Ms Such-ochka has succeeded in putting together an impressive coalition which contains a former prime minister and several experienced senior cabinet ministers. Ignoring a rash of strikes in the coal and copper mines and the FSM-Fiat car plant, they spent the summer holiday working out their political and economic strategy. It is designed to re-activate the stalled mass privatisation programme, get public spending under control all over Europe.

and reassure both Polish and foreign investors and the Interna-

tional Monetary Fund. An IMF team had the first chance to assess the government and its programme earlier this month. It left Warsaw impressed by the performance of the new ministers, encouraged by evidence of an export-led recovery in indus-trial output and willing to be persuaded that the government was capable of cutting the budget deficit from an expected 8.5 per cent of GNP this year to 5.5 per cent

### Enterprise plan

To achieve this the government plans to cut spending on social programmes, mainly pensions and unemployment pay, while raising revenue through reforms to the tax system and better collection, especially from the private sector which now accounts for over half

the economy It will not be easy. The success of the strategy depends heavily on the labour minister, Mr Jacek Kuron. He is the main author of the government's "enterprise plan" which aims to persuade plan" which aims to persuade workers to join in the task of privatising and improving the management of state-owned enterprises rather than strike for wage rises unmatched by higher produc-

Warsaw has been able to achieve export-led growth through a combination of lower real wages and a managed devaluation of the zloty. Consolidating these gains requires labour co-operation, more foreign investment and continuing access to prosperous EC markets.

Prospects for the former should improve when Poland and the IMF sign a new loan agreement, possibly next month. But what Poland and the other countries of east and central Europe also need is a reappraisal of the European idea which would allow them to participate in framing an enlarged

Such a community, in which Germany's size and power would be counter-balanced on the east as well as the west, would not only benefit the east. The participation of enthusiastic Europeans from the east could create a better framework for dealing with the resurgence of nationalist feeling

part. The razor-thin French endorsement of the Maastricht treaty has given a temporary reprieve to the European Community's plans for political and monetary union; but the political credibility and economic feasibility

of the enterprise remain in doubt.
Unity was the theme echoing throughout European capitals yesterday. The first test of resolve will come next month when the heads of the 12 EC members states hold a summit in London to discuss what one EC official described yesterday as "Europe's foggy future".

The question is whether the Community can regain its equilibrium after the stunning political and economic reverses of recent weeks. The onslaught in the money markets which forced sterling's bloody retreat from the exchange rate mechanism of the European Monetary System was bad enough; then came a public slanging match between the UK and German governments over Britain's charges that the Bundesbank had effectively sabotaged its economic policy by talking down sterling.

Amid this atmosphere of mistrust and recrimination, the Community's member states face a second daunting challenge: how to recapture the confidence of their own people, many of whom remain deeply ambivalent about the goal of European Union set out in the

Maastricht treaty. This is especially true of Britain, whose on-off relationship with the Community has been dogged by mutual misunderstanding. Now, at the very moment the EC faces its most serious political challenge since the oil crisis in the 1970s, perfidious Albion holds the rotating six-month-long EC presidency.

Whether Mr John Major, the UK prime minister, can recover from the humiliating collapse of his Euro-centric economic policy is, therefore, not only of interest in London. Whether he can stick to his pledge to keep Britain "at the heart of Europe" directly concerns the heads of government in the remaining 11 EC states.

In the immediate aftermath of the French referendum, there are two principal issues to be addressed by the Community: the functioning of the ERM, and the longer-term commitment to political and monetary union which all 12 EC member states signed on to last December.

The tidal wave of speculation which hit the ERM last week led not only to sterling's withdrawal, but also to the suspension of the Italian lira and a 5 per cent devaluation of the Spanish pesets. The currency realignment sparked immediate fears of a "two-speed" Europe, with the weaker currencies falling behind a stronger D-Mark bloc including France and Benelux.

What is often overlooked is that the Maastricht treaty specifically holds out the prospect of a Europe a deux vitesses, says Mr Peter Ludlow, director of the Centre for European Policy Studies in Brussels. The treaty's provisions not only include an -out clause for Britain, but also strict economic convergence criteria, under which qualified candidates should move to locked exchange rates, at the earliest by 1997 and supposedly by 1999 at the

Mr Ludlow says the recent turmoil in the currency markets raises the prospect of a joint Franco-German initiative to accelerate moves toward fixed exchange rates among the "hard-core" currencies, with a public declaration that other European countries such as Italy could

Resolving the problems which are confronting the EC will take more than a summit meeting, writes **Lionel Barber** 

# Europe's tactical time-out

join in the future. The first clues will come today when Chancellor Kohl holds talks with President Mitterrand in Paris. Though the franc is still under pressure, the impetus for a high-profile Franco-German declaration, which risked being seen as actively encouraging the creation of a two speed Europe, may have receded. More likely, the two leaders will focus on the prospects for enlarging the Community and making it more accountable - partly in an effort to bolster Mr Major's position.

Yet the recent shift in public opinion in Germany against abandonment of the D-Mark - the symbol of post-second world war stability and prosperity in Germany may make it more difficult for Chancellor Kohl to offer much more to his European colleagues.

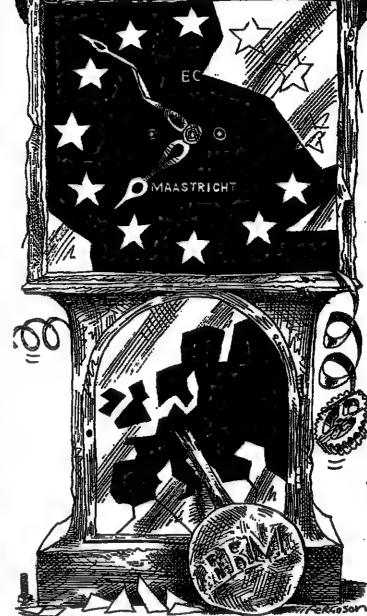
Already, there are calls for a referendum on Maastricht in Germany, and both the Bundestag and Bundesrat may reserve a "right of approval" before allowing Germany to move to fixed exchange rates, as laid down in stage three of Emu.

The cloudy prospect for Emu is made all the murkier by the British government's demand for ERM reform summed up by Norman Lamont, the chancellor of the exchequer. Last Friday, Mr Lamont declared that he wanted to be "satisfied that German policy that has produced many of the tensions in the ERM is going to have some changes", leading to a more stable environment. In addition, he wants to correct structural "fault-lines" within the ERM, including better co-ordination and intervention in the money markets.

These are the minimum condi tions which the British intend to put forward before re-entering the ERM. The difficulty is that there is substantial mistrust about British motives which, in turn, risks severely reducing British influence in the Masstricht debate.

First, EC diplomats are scathing about Britain's efforts to bully the German government and the Bundesbank into reducing German interest rates. Mr Lamont is singled out for criticism, First he used the EC presidency to mobilise 11 member states against the Germans at the recent finance ministers' meeting in Bath; then he presented the outcome as a victory for Britain. "This approach to Community matters is cial, "and it was bound to backfire."

Mr Lamont's earlier predicament an overvalued currency and crippling high real interest rates in the middle of a recession - was, nevertheless viewed with sympathy in Brussels. Some adjustment had to be made. But many agree with Sir Roy Denman, former EC ambassa-dor to the US, who says ERM membership was a short-term ploy to secure a reduction in interest rates, as well as a long-term commitment by Mr Major to Europe. "Britain



entered the ERM for the wrong reasons, at the wrong rate, and at the

The challenge for the British is to convince their partners that they are not intent on playing a sooil game. This applies not just to the ERM, but also to the broader debate about the future of the Community and the fate of Maastricht. In this respect, the issue of how to finesse the problems raised by the Danish rejection of Maastricht in last

June's referendum is paramount. Mr Major has already declared that he will not put the Maastricht treaty before parliament until the Danish government presents a clear plan for resolving this dilemma. In Brusseis, mistrust of Mr Major's

motives is rife. "It looks as if he is deliberately dragging his feet because his own party is split on Maastricht," said one EC official on Sunday night.

British delays were certain to encourage the Danes to hold back too. "We can solve one problem," said this official, "but we can't solve a British and a Danish problem at the same time."

Mr Major is understood to be contemplating a vote by the House of Commons on the "principle" of Maastricht sometime before the Edinburgh summit. This would have the advantage of steadying frayed nerves, including his own, while preparing for a month-long

vote at committee stage sometime next year, perhaps around the same time as a second Danish referen-dum. All this assumes that the Danes will come up with reserva-tions on Maastricht which are nego-tiable in the eyes of the rest of the nable in the eyes of the rest of the Community. A protocol, not included in the treaty, which stated that Danes would not serve in a common European army is viewed as acceptable – but a renegotiation of Maastricht is not. In Brussels, the hope is that the Danes will outline their thoughts at the London sum-mit next month. Again the tension will be between the desire of mem-bers such as France, Spain and Italy to press ahead with ratification and those such as Britain urging a "goslow" approach. "The timing is extremely delicate," says a senior EC official.

ehind the Danish dilemma lie serious questions about the merits of Maastricht and the way the EC does

The national debate in France was sobering for the entire Community. For the first time since the Treaty of Rome, the French - the driving force behind European integration - held a debate on the future of Europe, a debate conducted on national terms.

The result was that 58 per cent of those who voted No to Maastricht cited fears about the loss of national sovereignty; 57 per cent voiced opposition to technocrats in Brussels; and 41 per cent voiced concern about the threat of German hege-mony in Europe, which both sup-porters and opponents of the treaty invoked in order to galvanise support for their cause.

How to bring the BC closer to the European citizen is one of the most urgent tasks of the next few onths. Part of the answer is subsidiarity - the notion that the EC should exercise restraint in its application of Community law and devolve more power to member states. Mr Jacques Delors, president of the European Commission, has instructed his officials to draw up concrete plans in time for discussion at the London summit.

Yet subsidiarity has a price. Some member states may use it to roll back intrusive but beneficial policles such as the aggressive enforcement of competition law; others may seek to re-open the debate on state aid, arguing that more attention to national sovereignty means more support for national busi-nesses. If this were to gain force, the single integrated market, the great achievement of the Community in the 1980s, could be at risk.

Moreover, subsidiarity does not address the question of accountability. For all the debate about hether Maastricht awarded more power to the Commission, the real winners were the politicians in the European Council. Ministers and their civil servants - not Mr Delors will benefit from the expansion of inter-governmental co-operation outside of Community law.

the Community will take more than a summit. According to Mr Ludlow, the director of the Centre for European Policy Studies, they may require a US-style constitution, transparent and accessible to the ordinary RC citizen.

At this stage, such ideas may seem far-fetched. But unless the Twelve can reach a consensus on how to resolve the Maastricht muddie, the uncertainty will increase, sapping their will to co-operate and increasing the risk of drifting apart.

# Carrots and sticks

As the Russian parliament reconvenes, John Lloyd sees signs of compromise as well as confrontation

he opening of the Russian parliament today has been preceded by Byzantine political manoeuvres. On the one hand, Mr Boris Yelt-

sin, the president, has taken care to be seen to be emollient; he has promised the deputies that they need not face election for more than two years (many would not survive) and sought to make up with Mr Ruslan Khasbulatov, the leader of the parliament and the most venomous foe of the government and its

economic reform programme.
At the same time, the Civic Forum, which unites the three centrist parties, said after a meeting of its executive committee on Sunday that it would harshly criticise the government's programme, but would not seek to overthrow it. This may be no more than a recognition that governing Russia is likely to be such a torment for the foreseeable future that it is better done by one's enemies than one's friends. Even so, Civic Forum's position represents an apparent limit on hostilities.

However, as the opening of parliament has drawn nearer, so the bit-terness has deepened. The Parliamentary Coalition for Reforms, a group of radical reformist deputies, meeting yesterday, said it would seek to remove Mr Khasbulatov, or even have him arraigned by the Constitutional Court for exceeding his authority. Meanwhile, the Nationalist-Communist bloc, happily in alliance and agreeing on most things, has said it will try to impeach the president.

The stakes are high this session. For the Communists and the Nationalists, the government is far too open to the capitalist west, encouraging a mafia-entrepreneurial class which has already dethroned the old nomenklatura and appears to becoming a permanent fixture of Russian society.

nent fixture of Russian society. For the industrialists, who are the most powerful group within the

threatening force, pushing them out too fast into the market and holding the spectre of bankruptcy above their heads. Their pressure, how-ever, has stopped the government from cutting off subsidies to state enterprises and from carrying out a policy of mass unemployment.

For the reformers in and out of government, time is running out. The figures on the progress of the economy are awful. The budget deficit was estimated at the end of the second quarter at Rbs950bn (or about 17 per cent of gross domestic product) against a total budget for the first half of the year of Rbs3,300bn. Inflation is said by the government to be running at 20 to

For the reformers, time is running out. The figures on the progress of the economy are awful

25 per cent a month, and Mr Sergel Vassiliev, head of the government's Centre for Economic Reform, said it could be at 50 per cent as soon as next month. Production is still fall-ing in most sectors by between 15 and 20 per cent annually.

Mr Yegor Gaidar, the acting prime minister, yesterday told reformist deputies that he would again tighten the screw on credits, and that the restrictions would last for at least the next six months. He admitted, however, that his policy must gain wide support - a diffi-cult trick for such an unpopular

His determination shows that the government has not given up on its reform programme and does not intend simply to compromise itself into stasis. It will seek to get parliament to pass a bankruptcy law, allowing it to make "showcase" clo-

centrist parties, the government is a sures in the big industrial sector. Mr Yeltsin, who continues to sup-port Mr Gaidar's now divided reformist cabinet, will try to get through a new constitution enlarging the scope of his power, for example, allowing him to rule by decree. The president will also pro-pose legislation giving him the final say in appointing ministers.

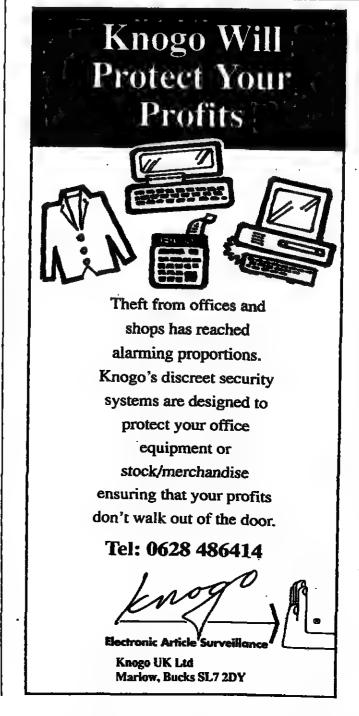
At the same time, the government is trying to rein in Mr Victor Gerashchenko, the acting chairman of the Central Bank, which has dispensed credits to enterprises and to other former Soviet republics with a liberal hand over the summer. Mr Anatoly Chubais, the vice-premier in charge of privatisation, told the news agency Interfax yesterday that a special committee headed by Mr Gaidar had been set up last week to enforce some "fairly harsh decisions" on stopping the flow of credit, at least to republics. This is likely to mean telling the republics that they must abide by strict finan-cial discipline or leave the rouble zone. But how the cabinet will stop Mr Gerashchenko, who is responsi-ble to the parliament rather than the cabinet or the president, remains unclear.

The governing of Russia is a con-

tinuous and increasingly sharp struggle for power, and for the right to exercise it. In the absence of a constitution, the presidential, exec-utive and legislative branches of government have ample scope to upstage each other and cancel out each other's decrees and actions. The evidence of the long summer

recess has pointed to a certain weakening of executive will and a gathering of the opposition forces. But the government now seems ready to steel itself for a further advance. It is shaping up to be a classic Russian campaign - hard, brutal, merciless. By the end of the year, in deep mid-winter, it will become more clear how the tide of

The second secon



# Every which way but out of office

John Major's government is rudderless, driverless and lost just five months after its election triumph, writes Joe Rogaly



asking what the British government will do next. As we can all see, the prime minister and the chancellor

are living from day to day. When it comes to the long term - to, say, next week - they show every sign of not having the foggiest notion of what strategy to propose. For the time being we can forget about new directions for Britain. We will be lucky if we get any direc-tion at all. The objective of both the organ-grinder and the marmoset who goes around with the little tin cup is clear. They want to keep their jobs. If they manage to achieve that they will try to rebuild their

When parliament meets on Thursday Mr John Major will remind the opposition behind him that he has set the Maastricht treaty aside until further notice. He is already commit-ted to doing nothing until the Danes have demonstrated that they have a plan for reversing their No vote. He had the foresight to build that particular hidey-hole into a speech he delivered on September 7. Now he has found another escapehatch. He has used his presidency of the EC to convene a meeting of European leaders early next month.

There are good European reasons for calling such a summit, but to the prime minister its principal function will be that of air-raid shelter. He needs one, to protect himself from the bombardment of his own back-benchers, His current state of mind is evident. It is nervous, the disposition of a man who has had the stuffing knocked out of him. You do not have to read very far between the lines of his article in yesterday's Evening Standard to conclude that while Mr Maior remains a European, sort of ("we cannot cut our-selves of from the European continent") it is the anti-EC Tory right he most feers ("now even the French have shown they have serious doubts about the extent of control from Brussels"), He wants the summit to "take a profound look at

where Europe is going". As to the exchange rate mechanism, it turns out that there are "fault lines" in the way it is run. Presumably these were not discerned two years ago when, as chancellor, Mr Major proudly announced that Britain was going in. "We shall not go back into the system until the flaws have been put right," he now asserts, making assurance doubly sure



John Major: has set Maastricht aside until further notice

by adding, "we cannot return to the ERM until it has been reformed". The genius whose experiment blew up is blaming the laboratory.

There is, however, a cunning plan to save the government's skin. It is patently a work of genius. The other 11 members of the EC are to be asked to rewrite the Maastricht treaty, or add clauses to it, or abandon parts of it, in the interest of restoring unity to the Conservarive party. At the same time the Bundesbank is to be

sions of grandeur. Do not take my word for it. Consider the words of Sir Norman Fowler, the party chairman, at a Conservative Political Centre summer school in July. "It is not just a British contribution that we will be making," said Sir Norman, "It will be a Conservative contribution - a lead for Europe based on the proven experience of Britain over the last decade." That was BD, before devaluation. It sounded grandiose even then. Repeated today, AD, the assertion

For the time being we can forget about new directions for Britain. We will be lucky if we get any direction at all

requested to pledge itself to sounds merely pathetic.
rules of ERM behaviour that Yet there is a real take into account British Tory needs. There is a flaw. Without the ERM, with not even a symbolic commitment to monetary union, the structure of European Union agreed at Maastricht falls down. Britain reserved the right to opt out of Emu; now it is taking a step backwards by staying out of the ERM itself. Never mind. All will be well, provided that the foreigners adjust their thinking.

Don't laugh. This is a serious matter. The fatal weakness of the Tories is their propensity to indulge themselves in illu-

Midiand high-flyer, spent a

Yet there is a real chance that aspects of Maastricht will be rethought. The other 11 members of the EC are indeed concarned about the degree to which the treaty meets the aspirations of their own electorates. The Danes said No; the French very nearly did. The Germans are clearly uncomfortable. As the third or fourth most important member of the Community Britain can expect a hearing for its views, particularly while it holds the presidetermine whether any changes are acceptable.

These could then be negotiated by the prime minister, as was the original deal last year. There is no doubting his skill in handling the pre-Maastricht horse-trading. We must hope that his natural self-confidence returns in time for the next round. Mr Major is, after all, the only prime minister we have. He has demonstrated that he will not resign, even if forced to devalue within a week of swearing that he would never do so. This may not be glorious, but it is his choice. There is no prospect of an election, so we can rule out the leader of the opposition. In any event, Mr John Smith is as tied to Maastricht and the ERM as RD, Mr Major was, So far no Conservative challenger has appeared.

There are several potential successors in the Cabinet, but these would only step forward if Mr Major were to be removed by some unfortunate accident. In that circumstance Mr Ken-neth Clarke would probably be front-runner, against, perhaps, Mr Michael Heseltine. Since both are Euro-enthusiasts there is little point in the anti-Maastricht Right plotting Mr Major's downfall. Lady Thatcher is, fingers crossed safely tucked away in the Lords. Anyhow, the country likes the prime minister it appears to be stuck with.

Whether it likes him better as the winter draws on may depend on who wins the economic argument: the angel whispering in his right ear that he must keep interest rates high to combat inflation, or the devil on his left urging him to cut loose and dash for growth. Popularity is there for the buying, if he but succumbs. Thus there is no way of establishing whether the ambition, restated by the prime minister yesterday, of achieving "low inflation and a prosperous economy" will be matched by as inflexi-ble a resolve outside the ERM as it was within it.

In short there is no telling where Britain is heading. I could be in the direction of another bust-up with the EC. Even if a fresh Maastricht deal is renegotiated, there is no guarantee that it would get through the Commons. In spite of the government's repeated rejection of a British referendum, it is quite possible that Mr Major will once again be mugged by events and obliged to call one. He must rely on Mr Smith to save him from that, as from so much else. Five months after Mr Major's elecdency, and especially if it shows that it knows its place. But Mr Major should be aware tion triumph his government is that it is the Germans and the rudderiess, driveriess, lost.

### LETTERS TO THE EDITOR

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# About face on the ERM and the singular generosity of Britain's chancellor

From Messrs George Magnus | that the UK should fend for

and John Shepperd Sir, Your review, "What the economists have to say now (September 18), highlighted a shameful about-face by people who really ought to know het-ter. Only two or three had a proper sense of perspective. Euro-sceptics have the excuse of having opposed consistently ERM membership. Politicians may be expected to jump ship and take opportunistic advan-tage of changing circumstances. Most economists, however, and a large part of the media, cannot claim such immunity. They hailed ERM membership in 1990 as necessary, long-overdue, the only route to stable growth and low inflation etc, and many per-sisted with the "stick with it" view right up to the govern-ment's decision to suspend

Now that sterling has deval-ued, lo and behold, these same voices can be heard saying that the UK should stay out of the ERM. Doubtless, some have assumed that the ERM will break down completely and

We concede that German unification has changed able in 1990 and financial markets have been reacting violently to suppressed pressures. Had the German government not relied on massive borrowing to finance unification and had other European governments adopted a more flexible approach to exchange rate management, these pressures may have been released without the crisis that has erupted So much for the past. Now

that sterling (and the lira) are outside the ERM, it is vital that it should rejoin a reconsti-tuted ERM. The UK could stay out for a while longer, awaiting further falls in German interest rates. It seems to us, though, that these will now come much more quickly than expected, having regard for the crisis itself and Germany's gathering recessionary forces. It may, therefore, take rather longer to secure the next 2 to 3 per cent reduction in UK rates

to do so under a float is shorttermism and myopic. After the crisis is over. Europeans will try again to find the means to integrate (albeit different from the Maastricht economic blueprint), the EMS will still be there, the US dollar will not reel because of sharp US rate cuts and a UK and European economic recovery is bound to happen eventually. Under nomic and political arguments

for UK membership of the

ERM will be as strong as they

ever were in the 1980s. An independent Bank of England

would help too. We are not saying the UK should re-enter immediately -merely that long-term UK inside the ERM and that the UK should do so in the context of decisions made on a wider European basis. Whatever rate is chosen at the time, this policy is the only one that will cement lower inflation. We may yet be surprised by the speed of change in Europe's

than under a free float - but | the months to come - and perhaps in economists' views about the ERM again! George Magnus. John Shepperd, S G Warburg Securities, 1 Finsbury Avenue, London EC2M 2PA

> Sir, Why all the criticism of Britain's chancellor? Has he not achieved momentous feats in recent days? How many chancellors can claim to have cut interest rates by 5 per cent, twice confounded commentators by perfectly executed U-turns, and lost £11,000 a sec-

> Moreover, it is a singularly generous act, on our chancel-lor's part, to allow the Gerlion's share of the glory for these achievements, and to understate his own role in bringing about this return to traditional values (such as a falling pound). P G Hirsch,

The Red Lodge, ! St John's Road, interest rate environment in East Molesey, Surrey KTS 9JH

### Carriers less restricted at US airports than at Heathrow

From Mr Cyril Murphy

Sir, Your article, "After the US, the world" (September 17), discussing British Airways' giobal ambitions, presents a very misleading picture of BA's access to US airports.

The impression given in the article is that US carriers dominate slot access at key US airports to the detriment of for-eign competitors while enjoying unlimited slot access to Heathrow. Nothing could be further from the truth. What you have failed to advise your readers is that none of the US airports mentioned - with the exception of Chicago - is alot restricted at all. All carriers, including BA, enjoy as much international access to these airports as is justified by traf-

Chicago O'Hare is one of only two alot restricted inter-national airports in the US. There, US carriers are forced Illinois 69686, US

by law to give up slots to enable their foreign competitors, including BA, to fly any

services they wish. At Heathrow, by comperison, all carriers - included United - suffer from slot restrictions, and often can not fly the services permitted by interna-

The BA-USAir transaction provides a unique opportunity for the US and UK governments to negotiate a liberalised agreement presenting real opportunities to carriers from both countries. It is important that the arguments on both sides are presented fairly, if the governments are to achieve Cyril Murphy.

vice president, international

Chicago, PO Box 66100.

### Concern raised by executive share option proposals

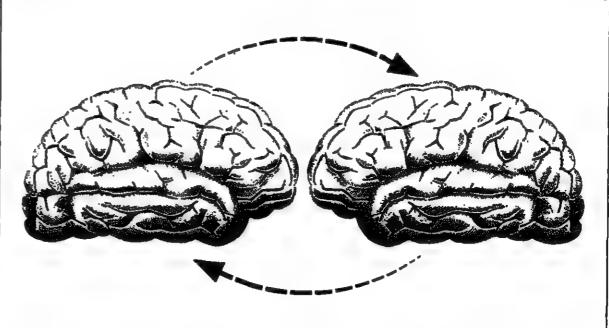
From Ms Carol Arrowsmith. Sir, Although the consultative approach to share schemes taken by the National Association of Pension Funds ("Stock option schemes queried", September 16) is welcome there are a number of points of principle which may cause concern. The use of share price as a measure to determine whether an option is exercisable is, by its nature, volatile. For companies which are at, or close to, the threshold for success, the option may be exercisable on Wednesday, barred on Thursday and exercisable

The option benefit is itself dependent on share price. To make access to that benefit dependent on share price performance as well seems to imply that it is acceptable to make really big money on the roulette wheel of the market, but not just big money.

again on Friday.

The executive option introduced the concept of executive reward related to shareholder gain. To date, executive options have not always satisfied executives and have often been seen by shareholders as failing to deliver the intended shareholding benefits, but they will ensure that any gain enjoyed by executives is matched by a rise in the value of shareholders' investment over that period. Moreover, companies sensitive to the transitory nature of executive shareholding have developed innovative approaches to encouraging and reinforcing shareholding by executives. It is unfortunate the NAPF has not broadened the debate by supporting such initiatives. Carol Arrowsmith,

managing director, New Bridge Street Consultants, 2 Talks Street. London EC4Y 0BJ



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### **OBSERVER**

### Common denominator

The rise of Chuan Leekpai, the Democrat Party leader who is set to become Thailand's next prime minister, is dealing a heavy blow to the country's reputation for having an exotic and incomprehensible political system staffed by gangsters, retired generals and fanatical

The mild-mannered Chuan whose pastimes include playing darts alone at home has startled the neighbours in the squalid quarter of Bangkok where he lives by appearing on television and turning out to be quite important. He is, in short,

"He is very quiet. He doesn't mind when the drunken neighbours make a lot of noise, breaking glass or singing late at night," according to one local taxi driver quoted in The

Nation newspaper. Chuan's critics say he is as incapable of making important political decisions as he is of getting angry with the neighbours, but most Thais seem relieved at the prospect of being led by such an untemarkable man.

The alternatives include the aforementioned generals and gangsters and Chamlong Srimuang, the devout Buddhist who led the street protests in May (when 50 demonstrators were killed) and who abstains from sex - even with his wife.

Big fish

There seems to be something of a tradition of old Midland Bank hands ending up in retailing. Michael Julien, the former finance director, joined Storehouse (via Eurotunnel and Guinness) and John Harris, another former



Bermuda-based investment company. "Clearing banking is partly retailing," says Taylor, echoing a view commonly held during Midland's more go-go years. Whereas Midland is one of the Big Four clearing banks, the loss-making Fosters is a relative minnow in its industry with only 2.5 per cent of the TIK menswear market and an annual turnover of not much more than £100m.

board of Y J Lovell and a

Celling point America's 900,000 prison inmates are "brand loyal" consumers and have

significant discretionary spending power. So says Joe Strahl; and he should know - he used to be a supply manager for a prison in

Strahl plans to launch a magazine called Prison Life next month hoping the \$3.95 cover will soak up some of the estimated \$1,100 plus inmates spend a year. The first cover story seems designed with the longer term reader in mind. It's headed "Manson get off his back: the inequities of prison parole"....

Déjà vu m Invoices in the soup. computer discs in the



'A wafer-thin margin's better than no wafer at all, I suppose'

bedlinen? Surely not. Tomorrow, just for the day, executives at London's Hyatt Carlton Tower will be sporting waiters' aprons and bell boys' ackets in an exercise designed to help managers understand the problems encountered by

It is all part of parent Hyatt Hotels Corporation strategy for "improving lines of communication". Although the Chicago corporate HQ will be shut, Darryl Hartley-Leonard, president of Hyatt Hotels Corporation, will be on hand as a front desk clerk, the position in which he started his Hvatt

Fruit standard

■ David Hale, chief economist of Kemper Financial Services in Chicago, has a suggestion for Norman Lamont as he hammers out his new "British" economic policy.

The government's implacable opposition to granting independence to the Bank of England, combined with its continued desire to target the exchange rate, really leaves it with only one solution, the American economist argues. The pound should be pegged forthwith to the New Zealand Not only does be recken the British might feel more comfortable aligning

themselves to their kith and kin, but he also points out how the Kiwis happen to have on offer one of the world's most independent central

Influx

■ A conga line of Cuben political refugees looks to be forming in Argentina behind the three dancers from Havana's Tropicana nightclnh revue who decided to stay on after performing in Buenos Aires recently.

No sooner had the trio been

spirited off to a safe house in the city than their footsteps were followed by two aircrew from the Cubana airline, a computer programmer who'd overstayed his tourist visa and three other miscellaneous

With the country's immigration chief saying he wouldn't be surprised if all 400-odd Cubans now in Argentina on tourist visas soon applied for refugee status, President Carlos Menem must be dancing his own gleeful jig. Besides scoring brownle points in Washington, he's doing down his arch enemy Pidel

Suitable case

■ Passing the office of a consistently late lunching colleague, a City broker saw the nameplate on the door had been covered with a paper strip reading NATO. On inquiring, he was told the letters stood for:

"Needs alcohol to operate".

# FINANCIAL TIMES

Tuesday September 22 1992

started to spread to regional

cities, which reported price rises

of just 0.3 per cent against a rise

Sales at Tokyo department

stores fell by 5.7 per cent in August compared with the same

month in 1991, the sixth succes-

The Japan Department Stores Association reported that furni-

ture sales were 14.4 per cent

down on July, electric appliances

16.4 per cent down and clothing sales 6 per cent lower. Only spending on food and in coffee

One factor behind the sluggish

store sales is the recovery in Jap-anese savings, which rose by 8.1 per cent in the year to July

according to results of a poll of 6,000 households published by the

of 5.2 per cent last year.

sive monthly fall.

shops had increased

# Japanese economy registers zero second-quarter growth

By Charles Leadbeater in Tokyo

JAPAN may be on the verge of its worst recession for almost 20 years with the economy failing to grow in the second quarter of 1992, official figures to be published this afternoon suggest. Official statistics measuring

gross national product will show zero growth for the second quarter, according to senior government officials.

The figures, to be released by the Economic Planning Agency. will confirm that the economy has run into the sand after the rapid expansion of the late 1980s which fuelled growth of at least 4

per cent for 4½ years.
The situation is not yet as serious as during the first oil shock of 1974, when the economy contracted for three successive quarters. GNP, however, did not fall

during the downturn of 1981-82 or during that of three years later.

The economy is delicately poised and the next three months could determine whether it recovers or slips deeper into depres-

Government economists insist the figures will mark the bottom of the downturn which began more than a year ago. They believe the announcement last month of an emergency Y10,700bn (\$86bn) public spending package - aimed at boosting confidence in the financial system and stimulating public investment - will ease the economy to a soft landing with growth of about 3 per cent next

Many private sector economists, however, believe the economy faces such serious problems - overcapacity in manufactur-

disable the banking system, and stagnant private consumption that it will fall further unless the government takes additional

The fragility of Japan's ecofigures showing that, this year, average land prices fell for the first time since 1975 when the National Land Agency started compiling statistics.

The agency's report, based on a rvey of 26,000 locations, found that residential land prices fell by 3.8 per cent and commercial prices by 4.9 per cent compared with a similar survey in July

and commercial prices fell by 12 per cent, while in Osaka prices fell by about 23 per cent.

In the Tokyo area, residential

### THE LEX COLUMN

# The franc under fire

The French franc's honeymoon period looks to have been even briefer than sterling's. At least the pound manager to struggle back above DM2.81 last Monday in response to that wafer-thin German interest rate cut - into what laughably seemed like reasonably safe territory at the time. But the euphoria which initially greeted the wafer-thin French majority in favour of Maas-tricht yesterday was quickly replaced by fresh doubts over the currency. The Bank of France can hardly have been pleased to see the franc back within a centime of its ERM floor despite heavy intervention after touching FF3.3910

earlier in the day.

Given the speed and savagery with which Messrs Major and Lamont were swept away, it would be idle to assume that the French Government can easily withstand the tide. There is admittedly much more will in Paris than there was in London, and much greater credibility behind the commitment to defend existing parities. But the markets again scent blood and the weekend's lukewarm endorsement of the treaty can only encourage further testing of the defences. With an election just six months away the speculators may calculate that the government's nerve is likely to crack.

Much will depend, though, on the attitude of the Germans. The current test for the Bonn/Paris alliance which lies at the core of the European Community, and even a modest German cut could stave off the need for a French interest rate rise. Whilst the Germans might be reasonably san-guine about British and Italian devaluations, they may conclude that letting the franc go the same way would be handing the French a clear competitive advantage. Yesterday's fresh bout of disappointing news from the French corporate sector was another reminder that the tensions between German monetary policy and growth priorities elsewhere must ultimately snap.

### UK gilts

The gilts market is responding with curious ambivalence to the possibility of lower UK base rates. The short end continues to discount a rather aggressive cut: the yield on the 12 per cent stock due 1995 has fallen by nearly 2 percentage points to 8.6 per cent since last Wednesday night. The long end appears relatively unruffled by the inflationary consequences of easier money. Over the same period, the yield on 25 year paper has risen by

FT-SE Index: 2560.1 (-6.9)

only 0.4 points to 9.2 per cent. Perhaps the actual rate cuts will be less than the markets were originally expecting. Mr Major again yesterda stressed his commitment to the fight against inflation. If he is to be believed, the price pressures unleashed by the devaluation will be held in check. Still, the long end of the gilts market may be too sanguine. The borrowing requirement will remain large over the next fow years and foreign investors can no longer be so

easily counted on to fund it. Last week's intervention has taken care of immediate funding needs, but even with some pick-up in growth next year, the PSBR could still be in the £35bn range. The trouble is that foreigners may blow hot and cold on gilts, depending on their perception of the exchange rate, while domestic institutions are again enthused by equities. Two conclusions follow. First, funding constraints point to sharply tighter fiscal policy — a point which, incidentally, should not be lost on contractors and other companies dependent on public sector business. Second, the gilt/equity yield ratio, still just under two, may return to its more normal range of two to 2.5 after the devaluation. But it may be more a question of higher real yields on gilts than lower ones on equities.

Despite moneybroking's reputation for producing poor quality earnings, MAI seems to do consistently well, as yesterday's preliminary results reaf-firmed. With a particularly strong niche in the New York-based US Treasury bond market and operations in

deposit and securities broking in Lon-don, MAI is as well placed as it is possible to be in such a footloose industry. Automation may cut marmustry. Automation may cut margins in some more straightforward areas of broking, but governments' habit of issuing ever-increasing volumes of debt and the volatility of markets are all grist to MAI's turnover-driven mill driven mill

Even if the market still worrles about profits from the main broking business, the company has good cash flow and a strong balance sheet. Diver sification into television also adds another profits stream. Meridian, the new ITV franchisee for the south of England in which it holds a majority stake, should break even this year and enhance profits thereafter. Yet MAI is a people based service business of the type which has been deeply unfashion ble with investors in recent years. That alone may be enough to keep it on a rating below the market average.

The volume of red ink which has flowed from Fosters is reason enough for Sears to dispose of the business Menswear retailing is baving an awful time and Fosters was III-placed to compete, even in good market conditions. Still, the exit price is high. Sears must write off £42m of goodwill through the profit and loss account, which had been previously charged to reserves. Then there are £40m of other extraordinary losses associated with the withdrawal, including 25.3m of trading losses since May. Whatever one thinks of the zealous way Sears has thrown everything into the extraordinary line, at least the pain is now visible. There is also relief that under Mr. Liam Strong's management deep-seated problems are at last being tackled.

Next week Sears is expected to announce further provisions against the British Shoe Corporation slong with its interim results. This again raises the question of whether the company will maintain its dividend. It may be argued this would be inappropriate when the payout is uncovered. However, Sears' balance sheet is strong. Cutting the dividend could send the wrong message to the market when the company's fortunes are near their nadir - a point with which other managements may have to grapple in a post-ERM world. On top of that the management is in a ticklish position. If they provide for a clean-out and then cut the dividend, a falling share price may just tempt in a predator.

### France and Germany bid to save treaty

Continued from Page 1

would discuss ways of ensuring greater control by national governments and parliaments over the Brussels bureaucracy and the injection of more democracy and transparency into EC decision-

in a televised reaction to the French referendum, Mr Kohl stressed the need to answer the doubts of many European voters over the European integration

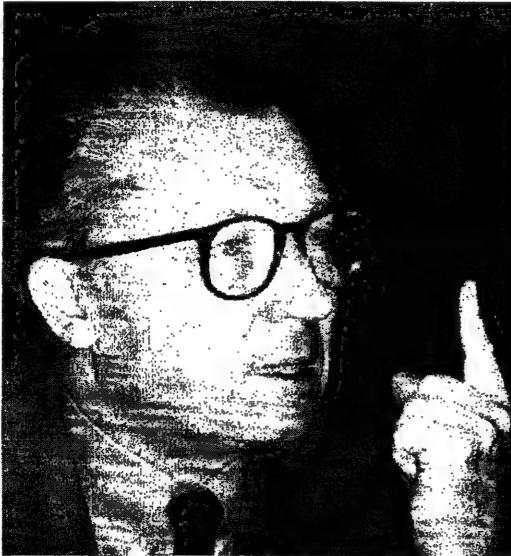
"We have to learn from the experience of the past few weeks. We also have not only to talk about possible mistakes, but to correct them.

He stressed the need both to answer fears over the possible loss of national identity and to ensure that power in the EC was

centralised as little as possible. Mr Dieter Vogel, German government spokesman, said the emergency summit called by Mr Major should not and would not seek to renegotiate the Maas-tricht treaty, but could usefully consider "clarifications or addi-

The idea of some sort of declaration on "subsidiarity" - the maximum devolution of power to lower levels of authority - has been on the table since June.

That is something that could send a signal, a message that we want a Europe of regions, that fully preserves national identi-



Future pointers: Jacques Delors, president of the European Commission, spells out his reaction to the result of the French referendum during a radio interview yesterday

# Major seeks to regain grip on party

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the British prime minister, yesterday sought to recover a grip on his party with a signal to Conservative Euro-sceptics that UK economic recovery would now take precedence over European integration.

But as a still-falling pound reduced the scope for lower interest rates, there were signs that French approval of the Maastricht treaty was creating new strains within the cabinet over its approach to Europe.

Mr Major did little to dispel the impression of disarray in London after sterling's enforced departure from the ERM and the French vote.

The discordant notes sounded in recent days by Conservative Euro-sceptics were matched yesterday by alarm on the pro-European wing of the party that policy is lurching towards narrow

The anxiety that Britain risks being stranded on the fringes of the Community was heightened by the announcement that Ger-

Bundesbank warning

man chancellor Helmut Kohl and French president François Mitterrand will meet for a bilateral

Writing in a London evening newspaper, Mr Major stated bluntly that sterling would not return to the exchange rate mechanism "until it has been

He underlined that there was no question of Britain pressing ahead with ratification of the Maastricht treaty until after next month's emergency summit and until Denmark had clarified its

Downing Street signalled that the issues of ERM re-entry and Maastricht ratification may now have become intractably entan-gled, with little prospect of the treaty gaining parliamentary approval while the pound is

floating.
Mr Major said the battle against inflation would remain the priority of economic policy. But in an apparent softening of his previous absolute commitment to stable prices he referred to the goal of "low inflation and a

As British officials acknowledged that a lower pound would eventually lead to higher price rises, Mr Major encouraged specsummit later today.

in interest rates.

The prime minister said that, if the government kept a firm grip on public spending, it would be able "to bring down interest rates without risking our success

against inflation". There is no prospect of the rapid and sharp reduction in borrowing costs demanded by some

on the right of the Conservative But Mr Major may now judge that it will be impossible to restore party unity over Europe

unless he first delivers the longpromised end to recession. The prime minister said that other EC leaders should reflect on the concerns of their elector-ates before pushing ahead with integration: "All of Europe's governments need to reflect hard on the lessons of the last weeks and months and on the future direc-

tion of the Community." That sentiment was echoed by Mr Kenneth Clarke, the home the foreign secretary, who are both staunchly pro-European. But the tenor of the two minissment appeared markedly less hostile than that of Mr

Mr Clarke, speaking on BBC Radio repeatedly underlined the government's commitment to Maastricht. Other ministers are dismayed at the much more sceptical stance adopted by Mr Major and Mr Norman Lamont, the chancellor of the exchequer.

One suggestion at Westminster last night was that the prime minister was engaged in a "tacti-cal retreat" with the aim of ring first Tory party unity an essentially pro-European

that the absence of any real debate within the cabinet has left a policy vacuum. There are also signs that Mr Lamont is seeking to buttress his grip on the Treasury in the wake of sterling's devaluation by putting himself at the head of the party's Euro-scep-

# Single currency doubts

Continued from Page 1

vice-president, was more cautious. There could be some exam-ination of the technical functioning of the ERM, but no fundamental overhaul, he said.

Mr Schlesinger sald it was more important that countries

the system was set up at the end of the 1970s. In particular, it should revert to being a system of fixed but adjustable exchange rates. "Realignments should not be taboo." He said it was therefore wrong for one country to urging another, such as Germany, to lower its interest rates

Continued from Page 1

D-Mark's unbroken rise on the currency markets put pressure on the shares of export-sensitive sectors such as cars and engi-In Paris, share prices slipped

more than 3 per cent on the day as the fragile nature of the franc

weakened prospects of an early cut in interest rates. The CAC-40 index ended down 56.88 at

Italian shares finished the day's highs when an early rally which had followed the result of the French referendum fizzled out. Share prices closed 1.35 per

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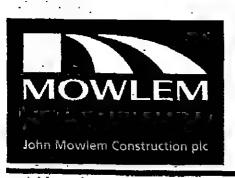
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# **FINANCIAL TIMES COMPANIES & MARKETS**

**OTHE FINANCIAL TIMES LIMITED 1992** 

Tuesday September 22 1992



Pechiney

rises after

reshuffle

of assets

### INSIDE

### Club Med may fail to meet forecast

Club Mediterranee, the French holiday and leisure group, warned it may not be able to meet its profit forecast for 1992 because of an unexpected steep fall in prolits from its US subsidiary. Club Med Inc, the US company 72 per cent owned by the French group, announced a 21 per cent fall in net profits from \$27.8m to \$21.9m. Page 22

### **Ecuador opts out of Opeo**

Oil prices drifted lower yesterday as Ecuador announced that it intended to leave the Organisation of Petroleum Exporting Countries - the first country to do so since Opec was formed in 1960 - and fran refused to sign the production agreement reached by the cartel last week.

### Strong recovery for Air NZ

Air New Zealand saw a strong recovery in net profits to NZ\$121.16m (US\$65.8m) for the year to June 30, compared with NZ\$19.97m for the previous 15 months. The airline is joining Brierley investments, the New Zealand hotel and investments concern, to bid for a strategic stake in Qantas, the Australian governmentowned sirline. Page 24

### **VSL** hopes for perfume boost

. ...



Yves Saint Laurent, the famous French fashion house, has reported a sharp fall in net profits from FFr41m in the first half of 1991 to FFr2.8m (\$500,000) in the same period this year. The company said the first half wastraditionally the slackest part of its year, as most of its periume sales were made before Christmas. Page 22

### European bourses diverge

European bourses diverged lest week as currency turmoli pushed the UK, Italy and Spain into devaluation. Beck Page

### Bryant Group rises 97%

Pre-tax profite at Bryant Group, the West Mid-lands-based housebuilding and construction company, rose 97 per cent to £20.3m (\$35m) in the year to May 31. House sales increased 25 price tell from £90,000 to £85,000. Page 26; Market, Page 35

### Countries eye syndicated loans

The UK and Sweden both tapped the interna-tional syndicated loans market earlier this month in order to support their domestic cur-rencies. Following last week's turbulence in the financial markets, other sovereign borrowers are understood to be looking at possible ways of raising finance at short notice. Page 23

### Market Statistics

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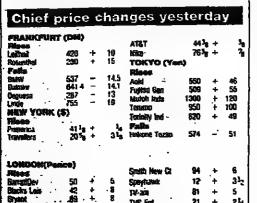
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131 + 15

### Chairman of financial services group to join board of troubled US insurer

# Primerica takes 27% of Travelers

SHARES in Travelers Corporation jumped sharply on US stock markets yesterday on the news that Primerica, the financial services group, had taken a big stake in the troubled insurance company, and Mr Sanford Weill, Primerica's chairman, would assume a significant role in Travelers' operations. Travelers' share price rose \$31/2 to close at \$20%. There was

announcement that Primerica had agreed to invest \$722.5m in Travelers in return for a 27 per

Investors and analysts wel-comed the deal and the appointment of Mr Weill to Travelers' board was seen as a much-needed vote of confidence in the insurer. The struggling insurer, suffering big losses on commercial property investments, agreed to elect Mr Weill to its board where he becomes chairman of the key

finance committee. Travelers also unveiled a restructuring involving 3,500 job losses, or 10 per cent of its workforce. It will take a \$132m after-tax charge in the third quarter to pay for the lay-offs, but it will also report a spe-cial net gain of \$135m as a result

of an accounting change. The agreement, subject to regulatory and shareholder approval, gives Primerica 38m shares of Travelers common stock, valued at \$19 a share, in return for \$550m cash, a 50 per cent equity

ance property-casualty subsidiary and 100 per cent in health insurance operations of Primerica's

Transport Life/Voyager Group.
The deal increases to \$1.4bn the capital Travelers has raised this year to shore up its shaky finan-cial position. In the first half of this year it sold \$675m of stock and bonds. More than a third of Travelers' \$13.8bn book of property loans was characterised as underperforming by the end of

European venture capital

Mr Bruce Ballantine, analyst at ratings agency Moody's, which announced yesterday it was reviewing Travelers for a possible upgrade, said Mr Weill's new role would be important to the

insurer's future.

He said: "Mr Weill has a very good track record in moving into companies and Improving results. However, it's not clear how the various leaders at Travelers and Primerica will work together, and that is something we will be watching closely."

### PECHINEY Group, the French state-owned aluminium group

and its can-making subsidiary, Pechiney International, which is separately listed on the stock market, reported sharp increases in first-half net profits yester-

day.

Net earnings at Pechiney
Group rose from a restated FFr429m to FFr782m (\$153m) in the first six mouths, after one-off gains from a complex asset reorfresh capital in May and June.

Operating profits fell from a restated FFr2.44bn to FFr1.79bn, because of low aluminium prices and technical problems in the start-up of extra capacity. Sales fell from FFr36.36bn to FFr34.06bn on the same basis. Under the asset reshuffle, Pechiney Group took over its

subsidiary's aluminium and trading businesses to leave Pechiney International as a packaging and turbine component com-

pany.

The aim is to make Pechiney
International more attractive to lovestors by reducing its exposure to volatile aluminium

Earnings at Pechiney International increased more than fivefold, from a restated FFr266m to FFr1.41bn over the same period, reflecting heavy exceptional gains. Net sales fell from FFr18.66bn to FFr18.29bn.

It forecast a full-year profit of more than FFrlbn, excluding exceptional gains, against the FFr890m Pechiney International recorded on a comparable struc-ture in 1991. This is based on a forecast that earnings from the packaging division – 85 per cent of operating profits in the first half - should rise around 10 per cent in dollar terms this year, while debt payments have fallen because of the asset reorganisa-

Excluding exceptional items, Pechiney International's net earnings were static in the first half, while operating profits fell 8.9 per cent to FFr1.37bn, reflecting a decline in demand for turbine components from the

depressed aircraft industry. Its packaging division recorded a 3.7 per cent rise in operating profit, to FFr1.17bn. Spie-Batignolles, the troubled French construction group, is expects a net loss of between FFr150m and FFr200m this year, but will break even at the operating level said Mr Claude Coppin, group president.

# Investors query the rewards of risk

### Norma Cohen reports on unease over fees for venture capital fund managers

obody is surprised to hear that venture capital has offered rich returns to investors during the past two decades. But the scale of the rewards available to venture cap-Ital fund managers may come as a surprise to those used to the less generous world of conventional investment management.

The difference between the two worlds surfaced recently when a rival drew attention to the guidelines governing fund managers' personal investments at CinVen, Europe's second-largest venture capital fund manager.

coal board's in-house pension fund management, allows its fund managers to invest their own money in the highest-risk but also highest-yielding portion of each transaction, known as sweet equity, while eschewing the lower-risk but less lucrative loan stock which typically accompanies it. CinVen fund managers may not pick and choose among investments but must invest in each one and in the same proportion.

The practice is not uncommon in the venture capital industry. but it illustrates why remuneration in the industry has become a touchy subject. In the early years of venture capital - a sector in which investments may take 10 to 12 years to realise their full value - investors had to make sure the fund manager stayed around long enough to see each

project through to fruition. Out of that has grown an elaborate remuneration structure where fees greatly exceed those of traditional fund management. Typically, venture capital firms receive a basic management fee of 21/2 per cent compared with the

0.15 per cent to 0.25 per cent charged by conventional fund managers on the more run-of-the-mill business of managing balanced pooled funds. Because the fees are paid on funds raised rather than on funds invested, the effective rate on funds under management is closer to 4% per cent. Typically, pools leave some funds lying idle

while suitable projects are being

Additionally, the fund managers earn a cut, known as "carried interest", typically 20 per cent of all profits once the investors CinVen, which is part of the have earned back their full

> 'Somebody in their 30s can earn £60,000 to £80,000 per year'

CinVen says that because it does not operate a pool, it is administratively impossible to offer its fund managers carried interest. So it has offered co-investment in sweet equity to attract and keep the best manag-

Mr John McCrory, partner at Crossroads, a Birmingham-based firm which advises investors on venture capital projects, said venture capital fund managers "need to have significant commercial and industrial experience plus deal construction and 'realisation' skills - the ability to sell a company for what it is worth."

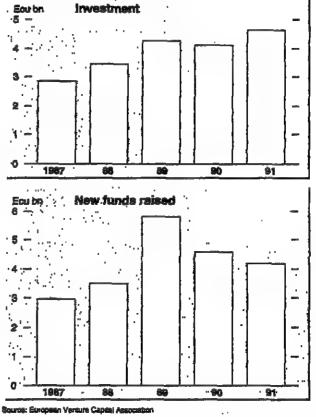
Individuals with those skills are at a premium and fee structures arose to the fund managers into projects for long periods.

Now some investors are unhappy with these arrange-"We are pressing hard for the

economics to work," said Mr John Brakell, director of Postel Development Capital, the venture capital arm of the giant Pos'fel pension fund which has roughly 2350m (\$620m) invested in that sector. "The remuneration is probably larger than the achievements of the industry so far," Mr Brakell said. "I don't believe there is any

other sector of the fund management industry which is as highly rewarded as the venture capital sector," said Mr Maurice Analow, editor of the UK and European Venture Capital Journals. "Some-body in their early 30s can earn 280,000 to £80,000 per year and all they are doing is looking at business plans." Why investors agreed to pay such generous fees to venture capital fund managers may be

explained by looking at returns. No UK figures are available, but data from the US show that during the past 20 years, the average annual return has been 15 per cent with the top quartile earning 21.3 per cent. But over the past five years, the average returns have been 5.8 per cent although the highest performing quartile of funds have annual returns of 13.1 per cent. Increasingly, investors are insisting that fund managers' carried interest should not take effect until investors have earned a so-called hurdle rate of return, typically the ment bond.



Underlying the investors' changing view of remuneration for venture capital fund managers is the changing nature of the business. The recession has taken a harsh toll of start-up and developing companies and the bulk of venture capital investment opportunities now lie in management buy-outs of established companies or refinancing debts. The skills required in assessing such investments are much closer to traditional fund management than to the glamorous world of risky start-ups. These are not the sort of people

another Apple Computer," says Mr McCrory. If these two activities are dif-

ferent, perhaps they should be rewarded differently? "Investors are challenging remuneration structures because increasingly they see the difference between the two," says Mr Andrew Sells. partner at venture capital managers Nash, Sells and Partners. There is much tinkering with

fee structures, but wholesale revisions have yet to occur. Mr Brakell is hopeful: "If the issue of remuneration gets enough publicity, then I think they will be forced to change it."

# Chairman of ING resigns after only 12 weeks in post

MR Willem Scherpenhuijsen Rom, chairman of Internationale Nederlanden Groep (ING), the Dutch banking and insurance group, resigned unexpectedly yesterday in response to reports in the Dutch press about the private investments of former senior executives from the group's

Mr Scherpenhuijsen Rom, who took over as ING's chairman just 12 weeks ago, said he was stepping down because he had increasingly become the focus of negative press publicity in the Netherlands. His successor in one of the

Netherlands' top financial posts is Mr Aad Jacobs, who until now was vice-chairman and head of

Mr Scherpenhuijsen Rom began debating the propriety of decided to resign after weekend bankers' investing in clients, the consultations with ING's supervi-

The move followed recent allegations in the press that he knew about the personal investments of Mr Ton Soetekow, who resigned from ING's board in the aummer: The newspaper De Volkskrant

also reported on Saturday that Mr Scherpenhuijsen had made private investments in the late 1970s in a small property company that had a banking relationship with NMB Bank, which he then chaired.

An ING spokesman said that Mr Scherpenhuijsen Rom's property investment was ended in 1981. The investment was legal but Mr Scherpenhuijsen Rom pul-

spokesman said. This summer, four former

senior executives at NMB Bank, which has since been renamed ING Bank, resigned or retired early. Last week ING announced that

it wanted to buy a 6.72 stake in Banque Bruxelles Lambert (BBL) as a first step towards a full friendly bid for BBL, Belgium's second largest bank.

Groupe Bruxelles Lambert (GBL), the Belgian holding company, which owns a direct stake in BBL of 13 per cent and indirectly controls a further 11 per cent, said it would not block the ING, which already has an indi-

rect 10.03 per cent stake in BBL, will make a final decision on the

### led out after a few years when the Dutch financial community will make a final de bid by mid-October. the group's insurance operations. Lord Hanson to put son on board

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, is planning to promote Mr Robert Hanson, son of its chairman, Lord Hanson, on to its board as a director.

The move is part of a number of proposed board changes to be announced by the end of the month. Mr Hanson, aged 31, who is

currently an associate director, joined the group in 1990 from NM Rothschild, the investment bank which advises Hanson.

He is expected to be appointed to the board along with Mr Graham Dransfield, aged 40, Hanson's senior solicitor, who joined the group in 1982.

Mr Alan Hagdrup, aged 59, a director since 1974, is expected to step down from the board. One of Hanson's advisers yes-

terday confirmed the board changes.
"The decision to promote Mr

Hanson has been taken by the senior directors of the group and not just by his father." If appointed, Mr Hanson will be

by far the youngest director.

Mr John Raos, aged 42, who is chief operating officer of Hanson Industries, the US arm of Hanson, is the youngest member of the board,

The board appointments still have to be ratified by the non-executive members. They are not expected to oppose the moves. The appointments will then go

to shareholders for ratification. Mr Hanson has been part of the conglomerate's acquisition team reporting to the vice-chairmen, Mr Martin Taylor and Mr Derek



Lord Hanson

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### INTERNATIONAL COMPANIES AND FINANCE

R PER Lundberg has had a baptism of fire. Since taking over as managing director of Gota

Bank, Sweden's fourth-largest

commercial bank at the begin-

ning of September, he has had

to turn to the government and

the central bank for help in

sorting out the bank's financial

woes. Now a question mark

hangs over the form in which

Gota Bank will continue to

days or where the interest pay-

pared with about SKr10hn at

the start of the year, out of a

total loan portfolio of SKr70bn.

As a result, the bank expects

to see an operating loss of between SKr3bn and SKr4bn

Sweden's centre-right gov-

ernment has promised to

guarantee Gota Bank's com-

mitments to private individu-

als, companies and all

other creditors and counter-

parties. The Riksbank, Swe-

den's central bank, also prom-

ised to continue normal

dealings with the bank, ensur-

ing that Gota Bank has access

this year.

banking group.

# Sears sheds menswear side with sale of Fosters stores

By Jane Fuller in London

SEARS, the group behind such UK high street names as Wallis. Dolcis and Olympus, is shedding its menswear division with the sale of Fosters and

This is the latest move by Mr Liam Strong, Sears' chief exec-utive, who has been reviewing all parts of the poorly-performing retail business since his arrival from British Aleways in February. Last year, Sears made a pre-tax profit of only £81.2m (\$143.72m) on sales of nearly £2bn from roughly 3,700

Mr Strong said the menswear business was small and "was not going to be an area of significant profit growth". The group intended to "concentrate on areas where we have or can build market leadership"

Fosters' management, headed by Mr David Carter Johnson, is paying £1 for the fittings, stock and other working capital. Sears will face an extraordinary charge of £82m. of which £42m is a write-off of goodwill related to a change in accountancy rules on acquisi-

The cash cost to Sears is £18m in professionals' fees. redundancy costs, the pur-chase of preference shares in Fosters and eliminating liabili-ties. It said it was shedding a business that had cost £30m over the past 21/2 years. Last year's trading losses were £9m on sales of £128m. So far this year it has lost nearly £11m

The Fosters business, with 340 outlets, has 2.5 per cent of a UK menswear market laid low by recession. Verdict. a

market research organisation specialising in the retail sector, said the men's and boyswea market contracted 9 per cent last year, and nearly 4 per cent in both 1989 and 1990. This year is also expected to be

Menswear has always been a small part of Sears, which includes the Selfridges depart-ment store, womens fashion and childrenswear and the Freemans mail order opera-

Mr Carter Johnson has already spent 18 months trying to turn Fosters round. The Your Price stores would either be converted into Fosters shops or closed. The management buy-out is

being backed by Hambro European Ventures. Lex, Page 20;

# Broking helps MAI to 7% rise

Sy Jane Fuller

MAI, the UK-based financial services group headed by Lord Hollick, the Labour peer, increased its pre-tax profit by 7 per cent to £71.2m (\$126m) in the year to June 30.

Growth came mainly from money and securities broking, which accounted for two-thirds of group sales, and from the much smaller information division, which includes the NOP market research organisation. With £100m cash in hand, interest income rose from

27.9m to 210.4m.

position was unchanged in spite of capital spending of £62m, up from £24m the previ-

Operating profit from the main part of the business grew by £9.6m to £55.2m on turnover £389m, up from £361.5m.

But a disappointing result from Avenir, the French media husiness in which it has reduced its stake to 15.5 per cent, dragged down the proceeds from associates.

Wholesale broking contributed £44m to operating profit, up 11 per cent.

Lord Hollick said the US Lord Hollick, managing wing had done particularly director, said the year-end cash well in money broking and corporate bonds. The reduction in dollar interest rates had stimulated activity.

The weaker pound would help MAI's earnings this year.
"With nearly 50 per cent of our profits in US dollars, we were having to peddle very fast to stay abreast

The group would also benefit from the recent high level of activity in the money markets. "A reduction in European interest rates would also help the markets", he said.

Earnings per share rose to 13.7p, from 12.6p. A final dividend of 4.6p makes a total of 6p.

# YSL turns in sharp fall midway

By Alice Rawsthorn

YVES Saint Laurent (YSL), one of the most famous Paris fashion houses, suffered a sharp fall in net profits from FFr41m in the first half of 1991 to FFT2.6m (\$506,000) in the same period this year, reflecting the depressed state of the global luxury goods market.

The company stressed that

the slackest part of its year, given that the bulk of its perfume sales were made during the Christmas season, However YSL, like its rivals, had also been hit by the economic instability of Japan and North America, and by the slowdown in western Europe. Turnover rose by 6.8 per cent

to FFr1.39bn during the interim period due to the conthe first half was traditionally tribution of the new YSL skin of marketing the range - in an advertising campaign devised by Jean-Paul Mondino, a leading stylist -eroded operating profits, which fell from FFr130.6m to FFr94.9m.

The skin care range is expected to make a positive contribution to profits from next year onwards. The group, plans in late 1993 to launch a

### Club Med warns profits forecast will not be met

CLUB Mediterranée, the leading French holiday and leisure group, yesterday warned that it may not be able to meet its profit forecast for 1992 because of an unexpect-edly steep fall in profits from its US subsidiary.

Earlier this summer, Mr Gilbert Trigano, chairman of Club Med, predicted that the group would bounce back into the black with net profits of around FFr240m (\$44.44m) for the year ending October, after a FFr17m loss last year.

However, Club Med Inc, the US company which is 72 per cent owned by the French group, yesterday announced a 21 per cent fall in net profits from \$27.8m to \$21.9m on stable sales of \$105m for the first nine months of 1992.

The US business, which owns 25 holiday villages and a cruise ship, made a loss in the third quarter of the year. It has been hit by higher transport costs and retail price inflation, but also by the impact of the dollar's decline

against the franc. Club Med said in Paris vesterday that the problems of the US company meant that it would not meet its own FFr240m profit forecast this year, However, it stressed that it would still be profitable. Last year, Club Med, like other holiday companies, was badly affected by the impact of the

Gulf war on travel.

The group, which recently launched a FFr1bn bond issue to finance the expansion and renovation of its holiday villages, earlier this month reported a return to profits for the first half with a credit of FFr20.3m for the six months to April 30, compared with a net loss of FFr87.5m for the same period in the previous year.

• Avenir Havas Media, the subsidiary of the Haves media group specialising in poster advertising and free newspapers, yesterday announced a sharp 74.4 per cent fall in interim net profits to FFr21.4m on sales which

slipped by 2.8 per cent to FFr3.26bn.

to the liquidity required. However, the bank's management and owner must prepare to discuss Gota Bank's future with officials from the finance

• To place the bad debts in the separate company, leaving the relatively healthy parts of Gota Bank to continue as a normal Dayik.

operate - whether it will survive under its own name or be forced to merge with another Last week, Gota Bank announced that credit losses for 1992 would reach SKr8bn (\$1.4bn) - or double its previous estimate. Non-performing loans (defined as those where no interest has been paid for 60 ment is less than originally from the government.

The plan is broadly similar agreed with the bank) have escalated to SKr20bn, com-

shareholder for Gota Bank. owned by a holding company Holding, an insurance group. Trygg Hansa SPP originally thought its stake in Gota would help to boost its own position in the financial ser-

options have emerged

Swedish bank's future on the line

Mr Lundberg says that Cota Bank has already started to place its non-performing loans - of which about 85 per cent are related to the troubled real estate sector - in a separate division. The bank hopes that the government will step in to reduce the financial burden, possibly with the division containing the non-performing loans being spun off and receiving an injection of funds

to the rescue seen at Nordbanken, another Swedish bank which is in the process of transferring its bad debts to a new company called Securum that will be capitalised with state funds. However, some of the other Swedish commercial banks have complained that it is unfair for the government to take bad debts off Gota Bank's hands when nearly every bank has been hit by heavy credit losses and exposure to the property sector.

To find a new owner or Gota Bank is 100 per cent

ministry. So far, two possible



Per Lundberg: has had to turn to the government

vices sector as the insurance group hoped to sell its products through Gota Bank's large branch network.

However, as Gota Bank's financial difficulties grew more acute, Trygg Hansa SPP was forced to provide financial support and acquire the whole of the Gota group.

If Trygg Hansa SPP is to benefit from selling its insurancelinked products through the bank's network, it will probably have to remain as a sharebolder in Gota, although it

Sara Webb examines the options which Gota Bank is considering called Gota, which in turn is could reduce its stake if owned by Trygg Hansa SPP another bank or insurance group were to come in as a shareholder in the Gota group.

One solution being considered is for a foreign bank to take a stake in the Gota group as a way of gaining a presence in the Swedish market. However, foreign bankers are likely to be wary: those foreign banks which won government approval to set up subsidiaries in Sweden have found the banking climate tough, and some pulled out because of the losses incurred.

n the absence of a foreign suitor, it is possible that Gota will be merged with another Swedish bank - with the state-owned Nordbanken topping the list of likely candi-

Gota Bank's bad debts could then be combined with those of Nordbanken (in the separate company Securum) and Trygg Hansa SPP could then take a stake in the combined banking group, with the state as the other main share-

The government has already said it is keen to privatise Nordbanken as soon as the bank returns to profitability and some bankers point out bringing Trygg Hansa SPP in as a shareholder in a newlymerged Gota/Nordbanken group could provide the first step towards achieving that

# Lufthansa expects to cut losses in second half

By Andrew Fisher in Frankfurt

LUFTHANSA, the struggling German airline which is shedding staff to help stem heavy losses, said yesterday that its second-half loss should be much lower than in the first half as a result of improved business and capacity cuts. It also intends to operate a

less conservative depreciation policy, which will save around DM350m (\$233.30m) this year. Total depreciation in 1991 was nearly DM1.4bn, with a further DM735m in the first half of

The airline has already announced a pre-tax loss of DM542m for the first six months, up from DM331m in the same period of last

Lufthansa said the decision to take aircraft out of service and reduce jobs - by 6,000 over the next two years after cutting 1,800 this year - would have an increasing impact in the second half.

The company said the traffic performance in July had mproved further, with bookings for the period to end-October also rising.

While most experts tended to be pessimistic about the overall economic outlook for the second half, Lufthansa expects a modest economic upturn in its US business.

Lufthansa, in which the German state has a 51 per cent stake, said results should also be improved by its decision to operate a less conservative depreciation policy.

In future, Lufthansa will write down aircraft over 12 vears to a residual value of 15 per cent. Previously, its depreciation period has been 10 years to 5 per cent of the originai value. This will decrease the annual depreciation rate from 9.5 per cent to 7.1 per

The airline said savings from its new and simplified Luft-

will take over eight busy domestic flights this winter and more German and European flights next spring, would initially total DM90m a

Lufthansa Express will have quicker check-ins, a less complicated route structure, and two-class seating only.

The formation of this lowercost unit was part of the package of job cuts, fleet reductions, and trimming of the route network announced three weeks ago. Unions agreed to a pay freeze and more flexible working

This announcement appears as a matter of record only.



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Interest Rate 3.50% p. a.

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# EXCLUSIVE

BUNDESBANK SEES ERM REALIGNMENT NECESSARY: BANKING SOURCES

FRANKFURT (AFX) - The Bundesbank sees ERM realignment as necessary regardless of the result of the French referendum on the

Masstricht treaty, banking sources said. The sources who asked not to be named, cited a Bundesbank source as saying the German central bank believes the lira, peseta and sterling are "all candidates for devaluation."

(4.00pm, 9th September 1992)

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### INTERNATIONAL COMPANIES AND FINANCE

By Karen Zagor in New York

NIKE, the US sports shoe and apparel maker, yesterday reported an improvement in first quarter profits, although the results disappointed Wall Street, which marked down the shares. The company lifted net income to \$122.6m, or \$1.60 a share, a 7 per cent improve-ment from the \$114.4m, or \$1.50, reported a year earlier.

Although the earnings were strong in a difficult retail climate, analysts had been looking for earnings of about \$1.70 a share. At mid-session Nike's shares had slipped \$% to \$74%.

During the quarter, revenues rose 16 per cent to \$1.1bn from Growth was led by international sales, which soared 44 per cent to \$357.7m.

Excluding the impact of dollar translations, overseas revenues rose 32 per cent.

In contrast, domestic footwear and apparel revenues advanced only 5 per cent to \$687.7m, while revenues from other brands jumped 30 per cent to \$54.4m.

Orders for footwear and apparel scheduled for delivery between September 1992 and January 1993 rose 27 per cent to \$1.36bn. Mr Philip Knight, chairman

said the company had increased its spending on advertising during the Barcelona Olympics in the first quarter.
"Management strongly believe that these investments will add to Nike's momentum in key international markets and allow us to achieve out stated full-year earnings

growth objective of 15 per cent," he said. Nike's consolidated gross margin improved to 39.4 per cent, against 38.7 per cent the previous year.

### Circle K profits rise to \$8.2m for first quarter

By Karen Zagor

CIRCLE K, the Arizong-based convenience store chain which has been operating under Chapter 11 bankruptcy protection since 1990, yesterday turned in first-quarter operating profits of \$8.2m, compared with \$6.1m a year earlier.

The company, which has agreed to be acquired for about \$402m by an investor group, CK Acquisitions, led by Babrain-based investoorp, said it expected-to file an amended reorganisation plan by the end of this month.

Investcorp's other US investments include Saks Fifth Ave-

loss of \$2.7m, or 10 cents a share, in the quarter, reflecting the costs associated with its reorganisation. A year earlier, Circle K recorded a net loss of \$500,000 or 5 cents a share.

Mr Bart Brown, chairman said: "Given the costs and complications associated with the Chapter 11 process, we are pleased with these first-quarter results."

Circle K, which operates about 3,400 convenience stores in 32 states, said same-store average merchandise sales rose about 9.1 per cent in the quar-ter. Comparable gasoline gal-lon sales advanced 8.5 per cent

### CS Holding falls 11% to SFr534m at halfway

By lan Rodger in Zurich

CS HOLDING, the holding company for Credit Suisse and other financial and industrial companies, suffered an 11 per cent decline in consolidated earnings to SFr534m (\$407.60m) in the first half, mainly because of lucreased provisions for bad debts.

said the group's aim was to maintain earnings at last bill jumped 30 per cent to year's level, a downward revi-SF7351m after the elimination sion from his last statement in
April anticipating "further CS First Boston. improvement" this year.

Gross income for the first June 30 were up 9 per cent to half jumped 13 per cent to SFr241bn, with CS First Bos-SFr1.5bn, due mainly to a 36 ton's trading activities contriper cont rise in commission

income supplied largely by Credit Suisse and the CS First Boston group. Trading income was up 6 per cent to SFr1.26bn and interest income was flat at

Pre-tax profit was ahead 5 per cent to SFr1.8bn but provisions for bad debts, arising from the weak Swiss economy and the Canary Wharf bankcent to SFr827m. The group tax of tax losses carried forward at

The group's total assets at buting significantly.

### Toyota denies finalising \$46m stake in Indonesia's Astra

TOYOTA MOTOR of Japan has denied agreeing to buy into Astra International. Indonesia's main vehicle manufac-

The denial followed an announcement by Astra on Friday - restated yesterday that Toyota is to acquire about 4 per cent of the company in a deal worth about US\$46m.

Toyota said yesterday: "It is not a fact that we have agreed to the investment as cited by Astra" - although approaches made by Astra were under consideration. It added: "We will do what is necessary to ensure that our relationship (with Astra) will be successful."

Last year, Astra, which has a 54 per cent market share of month and details of the deals vehicle sales in Indonesia, sold by December. Last week, Astra 142,824 units, with Toyota models accounting for 58 per cent net profits for the first half.

Special Contract of the Contra

By William Keeling in Jakarta of the company's sales Astra intends to bring in a consortium of foreign shareholders following a decision by the Soeryadjaya family, which owns 76 per cent of Astra, to sell down its holding to raise finance for its troubled Summa Group. Brokers estimate the family must raise over \$350m. Astra, with a market capitalisation of \$1.2bn, is reported also to have held talks with General Electric of the US and Temasek

of Singapore. Mr Sumitro Djojohadikusomo, chairman of Astra, sald Toyota would acquire 16 per cent of the shares to be sold by the Soeryadjayas - a 4 per cent stake. Astra said yesterday it would name other international shareholders this month and details of the deals announced a 67 per cent fall in

Issue of U.S. \$300,000,000

### The Rural and Industries Bank of Western Australia

**Undated Floating Rate Notes** exchangeable into **Dated Floating Rate Notes** of which U.S. \$200,000,000 is being issued as the Initial Tranche

Interest Rate Interest Period 21st September 1992 22nd March 1993

Interest Amount due 22nd March 1993 per U,S.s 10,000 Note

U.S.\$ 169.36

Credit Suisse First Boston Limited

# Nike improves but | More feelers out for international syndicated loans

disappoints Wall St | Sara Webb assesses European states' options for supporting their currencies if market turbulence persists

ONTINUED tension within the exchange rate mechanism of the European Monetary System may force some European countries to follow the example of the UK and Sweden, both of which tapped the international syndicated loans market earlier this month to support their domestic currencies.

Following the turbulence in the financial markets last week, other sovereign borrow-ers are understood to be looking at ways of raising finance at short notice in case further bouts of currency spec-

Since Sunday's referendum in France on economic and monetary union, some European currencies have come under pressure again in the foreign exchange markets. The French franc, Irish punt and Italian lira (which has been suspended from the ERM) came under most pressure, with the Spanish peseta and Danish krone suffering more

modestly yesterday.
On September 3, the UK government announced plans to borrow Eculobn in D-Marks and a range of other currencies, using the money to sup-port sterling and to fund gov-ernment spending. The Eculobn consists of an Ecu5bn three-year multi-currency revolving credit facility and a longer-term multi-currency note issue programme. It is expected that the first tranche
- the Ecusbn revolving credit facility - will be fully drawn within the next few days.

A week after the UK

announcement. Sweden arranged an Ecuson syndicated credit as part of the central bank's Eculébn programme to bolster the krona and crush rumours that the Swedish currency was about to be devalwhile Mr Bengt Dennis governor of the central hank pushed the marginal lending rate up to 500 per cent to halt currency speculation. The syndicated facility consists of an Ecu3bn 364-day loan and an Ecu5bn three-year multi-currency regulating credit

Bankers cite Italy, Spain. France, Denmark and ireland whose currencies have all come under pressure in recent days – as the obvious candidates for such borrowings. Of them, Spain is understood

to have fairly substantial foreign exchange reserves which have not been too depleted by recent market turmoil. Spain launched a \$1.5bn seven-year Eurobond last week which is expected to be be priced today. The borrowing is part of Spain's general borrowing programme to fund its public sec-



Bengt Dennis: pushed Swedish marginal rate to 500 per cent to halt currency speculation Picture by Terry Kirk

will help to build up Spain's foreign currency reserves.

France, whose currency came under further pressure yesterday, had foreign exchange reserves of \$30.5bn in June, the most recent figures available. Mr Jim O'Neill, economist at Swiss Bank Corporation, points out that France would probably be more likely to use the combination of intervention and higher interest

rates to protect the current than a syndicated credit facil ity. Even if the French did choose the loan route, they would want to keep it quiet after seeing how dreadfully it backfired with the UK." he

In his view, the countries most likely to want to use the loan route to raise funds for intervention are Italy and Ireland. Italy's foreign exchange reserves were

thought to be almost depleted taken out of the ERM of the

Ironically, Italy is probably least likely to receive support from the international banking community. Many international banks were furious about Italy's handling of the situation with Efim, the state holding company which was put into voluntary liquidation in July. Lenders are still trying to negotiate the terms of repayment on Esim's substantial

Ireland, which according to IMF figures had foreign exchange reserves of \$4.97bn in July, could also consider a loan to help replenish reserves. especially if the currency comes under further pressure. However, Mr O'Neill believes Ireland would be more likely to raise interest rates to support the currency.

There is a lot of talk of other potential borrowers in the loans market." according to a senior banker at one of the big US houses which specialises in sovereign borrowing. He emphasised, though, that at this stage the enquiries have mainly been concerned with which market to use if borrowing were to prove necessary. Some bankers warn that

European sovereign names

loans market tends to be more expensive than in the bond market. However, it has the advantage of allowing more flexibility on when the loan is drawn, and a borrower can usually raise a larger amount and at shorter notice. While European sovereign

suade banks to lend them the

money. One banker said:

"Even though they are zero risk-weighted names (from the

point of capital adequacy

requirements) the return is not

good business reasons for

doing such a deal." Most bunks

who participate in such deals

would hope to compensate for

the low return by winning other business.

For example, banks which

participated in the loan to Swe-

ien may hope to further their

business interests by playing a

role in the government's priva-

Borrowing in the syndicated

tisation programme.

borrowers appear at this stage only to be making initial enquiries about raising funds some may be deterred by the UK's experience. announcement of an Eculobn borrowing certainly helped sterling at the time - but the effect was embarrassingly



9% Notes due 2002

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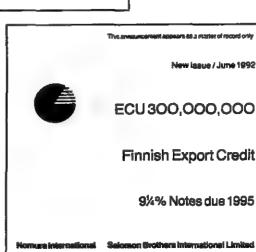


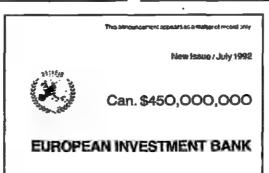


Province of Ontario

7%% Bonds due 2002







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8.125% Notes due 2002



# INTERNATIONAL CLIENTS, WORLDWIDE CURRENCIES, GLOBAL SOLUTIONS.

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André O. Backar International Business and Investments

Carlos R. Castillo **Emerging Markets Investment Banking** 

**Hans Rudolf Kunz** Institutional/Geneva

Rebecca L. Miller Emerging Markets Investment Banking New York

**Barry Nix** International Fixed Income/London

Grégory A. Stoupnitzky Emerging Markets Investment Banking New York

Bear, Stearns & Co. Inc.

### U.S. \$100,000,000



Corporation (B.S.C.)

**Arab Banking** 

Floating Rate Notes Due 1996

Interest Rate Interest Period 51/2% per annum 21st September 1992 22nd Merch 1993

We are pleased to announce that

Julieta Cadenas

has joined our

Asset Management Group as

Senior Vice President

LAZARD FRÈRES & Co. One Rockefeller Plaza, New York, N.Y. 10020

Interest Amount per U.S. \$10,000 Note due 22nd March 1993

U.S. \$265,42

Credit Suisse First Boston Limited

Agent

### INTERNATIONAL COMPANIES AND FINANCE

# Air New Zealand stages strong recovery

AIR New Zealand yesterday reported a strong recovery in net profits to NZ\$121.16m (US\$65.8m) for the year to June 30. This compares with NZ\$19.97m for the previous 15 months.

The company turned operating losses of NZ\$14.47m in the previous 15 months to profits of NZ\$134.3m following what the directors said was a significant turnaround in core costs. This included a further cut in staff by 590 to 8.825 and was in spite of an 8 per cent rise in netres flown.

Mr Bob Matthew, chairman, said wide-ranging changes in work practices had led to productivity improvements. Significant growth was achieved in international revenues, especially in Asia, Japan and Europe. However, Mr Matthew said the

growth was offset "by stubborn recess-ionary pressures" which hit sales in North America, Australia and New Zealand. Net yields remained under pres-sure on most routes, with the Tasman and the Atlantic routes suffering from aggressive discounting by American-

Mr Matthew said progress had been made in achieving a permanently lower cost base which would help Air NZ cope with recently-announced regulatory and structural changes in airline policy in Australia and New Zealand to be implemented over the next few years.

He said international conditions remained volatile and highly competitive and Air NZ's domestic market was yet to show a rise in trading volumes. The group's trading performance so far this year was "mixed", with earnings in line with expectations.

These gains were, however, partly

offset by continued weakness in US

demand and increased competition

from new hotels in Macao and Jakarta.

In Bangkok, the abortive military coup

in the second quarter hit occupancy

The company said that its hotels in

Hong Kong, Manila and Singapore improved their results year-on-year.

Occupancy levels were higher but they

were not able to increase prices.

Mr Simon Keswick, chairman, said

the better performance of these hotels

should enable the company to achieve

tic that the airline could continue its recovery towards "more acceptable"

levels of profits.
Sales and other gross operating revemues rose 13.1 per cent to NZ\$2.21bn. Abnormal items - relating to redundancy costs and the sale of the airline's Fokker Friendship fleet - showed losses of NZ\$13.1m compared with prof-

The directors are recommending a final dividend of 6 cents, making 10 cents for the year. This is 2 cents higher

· Air NZ and Brierley Investments (BIL) are bidding for a strategic stake in Qantas Airways, the Australian government-owned airline, AP-DJ reports

Mr Matthew said his airline and BIL, a New Zealand hotel and investments

concern, were carrying out a due dill gence examination on Qantas.

Due diligence involves a detailed study by a potential suitor of a takeover target's financial accounts to assess its

A bidding process for the sale by the Australian government of a strategic stake in Qantas was likely to start "within the next few days," Mr Mat-

Qantas, Australia's national airline, is 100 per cent owned by the Australian government. But the government intends to sell up to 49 per cent of Quantas in a trade sale, and is looking for international airlines and other companies to obtain strategic share-

holdings in Qantas. The rest of Qantas will be sold through an initial public offering in Australia at a later date.

### HINO MOTORS, Japan's leading truck maker, con-firmed last night that it has held partnership talks with Daf, the Dutch commercial vehicle maker, but said the negotiations were part of broad-ranging contacts with truck makers in Europe and

the US. The Japanese company, bruised by the domestic eco-nomic slowdown, said it was negotiating "sales and produc-tion" joint ventures with international truck makers, but insisted that nothing has been decided".

Japanese ...

truck maker

confirms

Daf talks

Hino, part of the Toyota Motor group, has been encour-aged to broaden its interna-tional base by falling capital spending at home, which resulted in a 2.4 per cent decline in truck sales, by vul-ume, for the first quarter

beginning in April. Domestic difficulties led Hino, which exports about 15 per cent of production, to forecast a 57 per cent fall to Y3bn (\$24m) in pre-tax profit for the first half to end-September. The company said another recson for the fall, and a reason for it to expand overseas production, was a stronger-than-

Japan's truck industry eported sharply increased sales during the late 1980s. when construction orders surged and companies were generally expanding capital

Magellan seeks to block Sagasco bid By Bruce Jacques

MAGELLAN Petroleum Australia, the Australian gas producer, has sought a Supreme Court injunction to halt the unwanted A\$122m (US\$20.70m) bid from Segmen Holdings, the quoted oil and gas group controlled by the ment of South Austra-

95

Sagasco is itself subject to a A\$560m bld from Santos, a petroleum rival.

# Mandarin Oriental posts | Daewoo expected to buy

severely.

By Simon Holberton in Hong Kong

MANDARIN Oriental International, the hotels arm of Jardine Matheson, yesterday reported a 10.3 per cent rise in net profits to \$19.2m for the half-year to June, from \$17.4m a year earlier.

The profits were struck on a 22.6 per cent rise in turnover to \$72.5m from \$59.1m. The directors declared an unchanged interim dividend of 1.41 cents a share.

Higher net interest charges and tax ate into net margins, reducing them to 26.4 per cent from 29.4 per cent. Gross margins were broadly unchanged. The company said that the main factor behind the improved performance

profit growth for the year as a was the growth of travel both from within the Asia-Pacific region and from

Jardine Strategic, an investment vehicle for the Jardine group, owns 50 per cent of Mandarin Oriental International.

### 10.3% increase in profits GM side of joint venture Daewoo and GM agreed to end the joint venture, formed in 1983, after GM By John Burton in Secul

DAEWOO, the South Korean conglomerate, is expected next month to end its auto manufacturing joint venture, Daewoo Motor, with General Motors (GM) by purchasing the US car maker's 50 per cent shareholding for an estimated \$170m.

Daewoo and GM have been negotiating the terms of the joint venture's dissolution over the past year after disagreements surfaced over the future management of the troubled company. Daewoo Motor, which is unlisted, has been overtaken by Kia Motors as South

Korea's second largest vehicle maker and is suffering losses of about Won50bn (\$64m) for the first half of 1992. Daewoo has been hurt by labour disputes and rising wages.

refused to inject an extra \$100m of capital into the company to expand production and develop overseas marketing. Daewoo also wanted to end GM's exclusive right to sell Daewoo cars abroad. Daewoo Motor cars are pro-

duced under an agreement with GM. Under the proposed settlement, Dae-woo will be able to continue to use GM's sales network in the US and other countries, including Brazil and South Africa, and will continue to sell its cars

elsewhere without restrictions. Daewoo's purchase of GM's shareholding will be made in several installments. Daewoo will take over complete ownership of Daewoo Motor, although it is negotiating with Nissan to replace GM as a possible joint venture partner.

# Pacific Dunlop maintains payout on steady earnings

By Bruce Jacques in Sydney

PACIFIC Dunlop, diversified Australian industrial company, has struggled through the recession almost unscathed, reporting operating profits little changed for the year to June.

The company's profit before abnormals fell by just under 1 per cent to A\$217.7m (US\$160m) from A\$219.8m, on recession continued to affect an 18 per cent rise in sales to A\$5.91bn from A\$5.02bn. performance in most markets," The directors recommended

through the worst recession in 60 years with increased competitiveness and a "creditable "Until the last quarter, the

per cent to A\$189m.

Mr John Gough, chairman,

said. "Australia, New Zea-

said the company had come

a maintained annual dividend land, the US and Europe all of 21 cents a share, but it will had depressed economies, with be paid on capital increased by weak consumer and industrial a A\$663m rights issue during the year, lifting payout by 23

"As the 1992 financial year ended, signs began appearing that the current year may be a little brighter. Each of the business groups is predicting no further deterioration in its markets, but realises that emerging from the recession is likely to be a long and uneven

experience," he added. Pacific Dunlop earned a net A\$22.2m from the Petersville

food group, which it acquired from Adsteam in August last year. This contributed to A\$48m profits from the newlyformed Pacific Brands Food

The company's biggest earning division, however, remained building and construction, with profits easing to A\$135m from A\$158m. The biggest improvement in earnings came from South Pacific tyres division, up to A\$30m from A\$24m

Pacific Duniop also con-

firmed yesterday it would apply for regulatory approval to bid for New Zealand-based Wattie Foods. But it stressed it had not decided to proceed with a bid which would rival an offer from the US-based

The rights issue during the year allowed Pacific Dunlop to reduce net interest marginally to A\$66.9m from A\$67.3m. But depreciation rose to A\$187.9m from A\$141.8m, and tax took A\$91.9m compared with

### FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) egainst four key currencies on Monday, September 21, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

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### U.S. \$125,000,000



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### India

Interest Rate

September 22, 1992

5% per annum 21st September 1992 22nd March 1993

Interest Amount per 22nd March 1993

U.S. \$252.78

Credit Suisse First Boston Limited

### U.S. \$150,000,000 MARINE MIDLAND BANKS, INC. Reating Rate nated Notes Due 2009

NBD BANCORP, INC

US\$100,000,000 Floating rate subor

Notice is hereby gloen

Notice is hereby given that for the interest period 22 September, 1992 to 22 December, 1992 the interest rate has been fixed at 5.25%. Interest payable on 22 December, 1992 will amount to US\$132.71 per US\$10,000 note.

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### INTERNATIONAL CAPITAL MARKETS

# Markets weaken on narrow result in referendum

Webb in London and Patrick Harverson in New York

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A Control of the Cont

EUROPEAN government bond markets weakoned yesterday on disappointment that the French referendum on the

### GOVERNMENT. BONDS

Maastricht treaty had resulted in only a narrow majority in favour.

The result was seen as prolonging uncertainty over the future course of European monetary union and did little to ease tensions within the exchange rate mechanism.

French government bonds fell 11/2 points from the peaks on Sunday night in the immediate aftermath of the vote. However, 10-year bonds finished only marginally down on Friday's closing levels.

The 10-year benchmark bond closed on a yield of 8.62 per cent, from 8.57 per cent on Friday. The narrow margin in favour of Maastricht left the franc under pressure on the foreign exchange markets and investors remained nervous that the French currency could still be devalued within the ERM. The franc closed at FF13.42 against the German. currency, against a floor in the

ERM of FF13.4305. The Bank of France left its money market intervention rate unchanged at 9.6 per cent. Some traders had been anticipating a small cut in rates if the referendum resulted in a vote in favour of Masstricht. · However, any easing of mone-

traded lower as the French referendum result killed off hopes of an interest rate cut by the Bundesbank.

ket had been overbought at the France had rejected European help support the French Franc. majority in favour of the Maaslooks less likely to lower interest rates. Bunds suffered heavy selling pressure, especially longer-dated issues, resulting in a

reporters in Washington that the central bank's policy-making council would review German interest rates at its meeting next week, but dealers remained sceptical about whether this would lead to an easing. The Bundesbank cut its discount and Lombard rates at the beginning of last week to reduce tensions in the ERM.
The bund futures contract opened at 90.75 and fell to a

low of 90.41 before ending at market will be watching the August money supply figures which are due to be released this week. M3 money supply for August is expected to show

■ GERMAN government bonds Traders said the bund mar-

end of last week on hopes of an easing in German rates. If economic and monetary union on Sunday, the Bundesbank might have lowered rates to However, given the small tricht treaty, the Bundesbank

flattening of the yield curve. Mr Helmut Schlesinger, pres-ident of the Bundesbank, told

around 90.72. Traders said the growth of about 8.5 per cent, unchanged on the July

tary conditions is unlikely until the franc climbs further above its ERM floor.

Price Change Yeard ago 10.000 10/02 106,9998 /0.305 8.94 8.90 8.39 8.790 06/02 100 MIN -0.100 8.63 8.52 8 M BEL GH DA 8.500 04/02 104.2500 -1.650 7.57 7.25 7.35 CANADA . 9 000 11/00 96 1750 -0.373 9.32 9.81 9.00 DENMARK 8.500 03/97 98.7459 40.142 8.62 9.01 8.600 11/02 98.0360 -0.335 8.63 8.65 7.51 7.61 7.81 8.000 07/02 103.3370 10 4 12.000 05/02 91.9000 -0.090 13.981 13.78 13.61 TALY 4.84 4.76 4.82 4.85 4.800 05/99 88.7985 0.000 5.500 03/02 103.7874 0 1 8.250 06/02 102.4500 -0.320 NETHERLANDS 7 87 8.04 10 300 08/02 87 5000 -0.560 12.57 12.29 12 18 10,000 11/86 103-28 7/22 8,750 08/02 103-28 -28/32 9,000 10/08 98-04 -1/2 9.55 9.14 9.09 9.23 8.76

BENCHMARK GOVERNMENT BONDS

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8.375 08/02 99-23 -2/32 BAI BBI 8.68 7.250 08/22 98-23 -13/52 7.35 7.42 7.38

Technical Data! ATLAS Price Sources

of monetary aggregates rather

In addition to fears about

inflation, long-dated gilts

prices were also depressed by

fears that overseas investors

will desert the market now

that sterling is floating outside

fund the public sector borrow-

ing requirement at higher

yields if domestic institutions

are the only substantial buyers

maturity stocks since sterling

was suspended from the

exchange rate mechanism last

Wednesday means that short-

dated gilt yields are lower than long-dated yields for the first

time since 1988, when base lending rates were cut briefly

The sharp rally in shorter

The government may have to

than exchange rates.

the ERM.

WUK GOVERNMENT bonds continued to rally at the shorter maturities vesterday. but gilts fell back sharply at the long end on fears of renewed inflationary pressures

cents.) Prices: U.S. LHC in 32nde, others in decimal

in the economy. The 9 per cent bond maturing 2009, the benchmark longdated glit, fell over 1% points. The stock closed at 984 for a yield of 9.23 per cent. In contrast, the 12 per cent gilt maturing 1995 closed up % of a point on the day for a yield of

8.6 per cent. Analysts are anticipating Thursday's parliamentary debate on the economy, at which Mr Norman Lamont, the chancellor of the exchequer, is expected to outline plans for the future conduct of monetary policy. Mr Lamont has indi-cated that he would return to a to 7% per cent. The gilt yield policy based on the targeting curve was last "disinverted" early 1980s.

The rally in short-dated stocks reflects hopes that interest rates will be cut sharply to stimulate economic activity. The December short sterling contract on Liffe traded at around 91.65, implying base lending rates of 8.35 per cent by the year end against a current rate of 10 per cent. This view was also reflected in the interbank loans market, where three-month funds were trading at 9¼ - 9½ per cent.

■ EUROPE'S traditional highyielding markets – Spain and Italy - weakened on disappointment over the outcome of the French referendam.

The small Yes majority and resulting pressure on the French franc has dashed hopes of lower interest rates in France and Germany, which means that the Italian and Spanish currencles will remain under pressure. Dealers specu lated that the lira would probably be devalued further before re-entering the exchange rate mechanism of the EMS.

■ SWEDISH government bonds fell sharply as the market ignored the government's sweeping austerity package -announced on Sunday - and the cut in the marginal lending rate yesterday from 500 per

cent to 50 per cent. Traders said the SKr40bn budget-cutting programme was viewed with some disappointment by the market, as the government had already publicised its intention to cut spending. Domestic and foreign investors took profits yesterday and yields closed higher. Yields on three-month treasury hills climbed from 18 per cent to 27 per cent, while the vield on the 10.25 per cent bond due 2003 rose to 11.55 per cent from 10.75 per cent at Friday's close. Adding to the poor sentiment, yesterday's auction of nine-year bonds saw poor interest: SKr5.5bn of bonds were

offered but only SKr5.23bn

**UNCERTAINTY** surrounding events in Europe in the wake of the French weekend vote and concern about this week's trial version of Dutch auctions in the sale of two and five-year notes left Treasury prices slightly lower across the board yesterday.

In late trading, the benchmark 30-year government issue was down & at 981, to yield 7.343 per cent. The two-year note was down % at 100}, to carry a yield of 3.861 per cent. Although analysts had expected the markets to receive a boost if the French voted in favour of Maastricht, the close nature of the referendum, with 51 per cent voting Yes and 49 per cent No, failed to clear up the uncertainty surrounding the outlook for eco-

chose to stay on the sidelines yesterday, and prices slipped lower in very light trading. Market participants were also cautious ahead of the Treasury auctions, in which the government plans to experiment with a new method of

nomic integration in Europe.

Consequently, many investors

selling its securities in which all bidders will receive their securities at a single price.

Even then, the lead managers could find izinht. themselves having to support the issue if the spread is not to

# Little relief seen for investors after Maastricht vote

### By Simon London

THE poor performance of French government bonds vesterday underlined that Sunday's narrow vote in favour of the Maastricht treaty will bring little early relief to bond market investors.

For the market to flourish, France must still succeed where the UK and Italy failed: defending its hard-pressed cur-rency within the EMS while delivering lower interest rates demanded by a weak domestic economy.

The Bank of France certainly disappointed bond market optimists vesterday by keeping its money market intervention rate unchanged at 9.6 per cent a level which has prevailed

since December. But the foreign exchange markets dictated that interest rates could not be cut, The franc closed the day at FFr3.42 against the D-Mark.

still too close to its EMS floor for any unilateral easing of interest rates. Indeed, the Bank of France was rumoured to have intervened in support of the franc.

"The credibility of the 'franc fort' policy remains under severe strain," commented Mr Philip Tyson, analyst at UBS Phillips & Drew in

The risk of a devaluation has already been partially factored into French government bond prices. The yield spread over German bonds at the banchmark 10-year maturity stood at 112 basis points at the close yesterday, from a low of 40 basis points at the start of this year and 58 basis points before Danish voters rejected Maas-

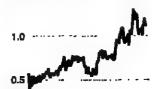
Analysts believe the French may be able to cut interest rates unilaterally by perhaps % percentage point this year if pressure on the franc eases. But any further cuts will depend on the pace of interest rate reductions in Germany.

There is also a danger that politics will again unsettle the foreign exchange and bond markets in the run-up to parliamentary elections next

The conservative parties London and Rome.

Yield spread

10 year bonds (France minus Garmany ) %



which urged the French electorate to vote No on Sunday may be more likely to accept a devaluation as an unavoidable cost of lower interest rates.

Alternatively, the Socialist government may feel compelled to embark on a reflationary fiscal policy to combat high unemployment.

But, in spite of the risks. there are strong reasons to believe the franc can be defended. On most measures France offers better economic fundamentals even than Germany, boasting lower inflation and a lower budget deficit. In contrast to the UK, the French trade balance shows a healthy surplus.

The German government, in particular, has a strong political incentive to keep the franc within the system and keep France in the fast track towards a single currency. A devaluation of the franc would also be more damaging to German industry than a devaluation of sterling or the

If a devaluation can be averted, logic dictates the yield spread between French and German government bonds should fall to the levels seen earlier this year.

Indeed, the yield apread could narrow to less than 40 hasis points. After all, the current crisis could be an opportunity for Paris to build a valuable store of credibility, a commodity in short supply in

OILS .

Conroy Pet ...... 5

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M MINES ...

# ERM strains overshadow Kingdom of Spain's \$1.5bn issue

Borrower US DOLLARS

Deutache Bk. Financeick

Nippon Typewriter(b)\*\*\*

THE Kingdom of Spain's first venture into the US dollar sector of the international

### INTERNATIONAL BONDS

bond market was still receiving only lukewarm support for investors yesterday as attention remained focused on the fate of the European exchange rate

launched last Tuesday as European markets lurched into crisis, is due to be priced

today. The issuer had hoped that stability would return to the markets following the French referendum on Sunday, but it seemed yesterday that Spain's offer was still likely to be overshadowed by events

The launch has been made all the more difficult by a widening of spreads in the bond market since the issue was launched. With little

market, dealers have tended to widen spreads in recent

days. The \$2bn issue from Province of Ontario, brought last Monday at a spread of 48 basis points over US treasuries, was quoted yesterday at 56 basis points over.

Italy's announcement last Friday that it was introducing a 12.5 per cent withholding tax on repurchase agreements also pushed up spreads sharply on supranational agencies such as the the European Investment Bank and World The \$1.5bn bond issue, activity in the secondary Bank.

which at first seemed likely to

This has reversed a tax only on bonds issued from over US Treasuries. tightening of spreads on bonds now. escape entirely from the Italian authorities' decision to impose

is expected to be priced at the upper end of the indicated spread of 42 to 45 basis points widen further.

**NEW INTERNATIONAL BOND ISSUES** Fees Book runner 50/30bp Deutsche Bk. 100

### MARKET STATISTICS

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RISES AND FALLS YESTERDAY 267 LONDON RECENT ISSUES DUITIES 3015 FIXED INTEREST STOCKS Docing Price Paid up · 110s 105%p RIGHTS OFFERS Paid # TRADITIONAL OPTIONS

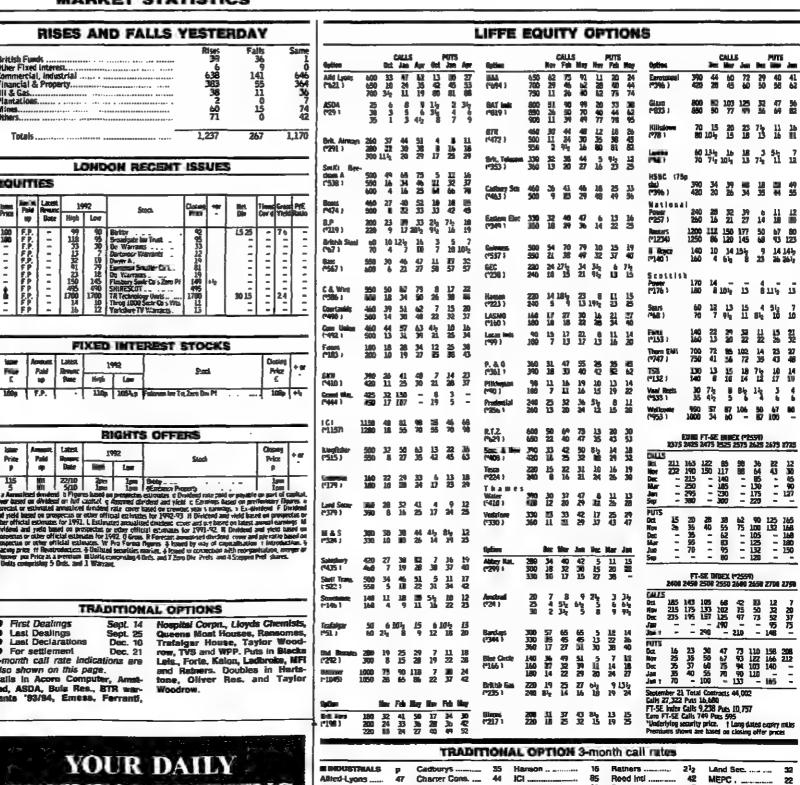
YOUR DAILY BUSINESS BRIEFING IN 160 COUNTRIES AROUND THE WORLD

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# PROPERTY # MINES ...

Purves to step down as chief executive but retain chairmanship

# HSBC plans changes at top

By Simon Holberton in Hong Kong and

A NEW chief executive officer for HSBC Holdings, the parent of Hongkong and Shanghai Bank and Midland Bank, is likely be appointed early in the New Year, Hongkong Bank said yesterday.

Mr William Purves, currently chairman and chief executive. will relinquish day-to-day management of the group while retaining the post of executive chairman, he indicated in an interview with the South China Morning Post yesterday.

The front runners for the group chief executive position are all Hongkong Bank men and hold positions on the bank's "policy unit", or execu-

Metalrax

improves

margins

was traditionally quiet.

declared (0.91p adjusted).

By Peter Pearse

The two front-runners but also because Midland is appear to be Mr John Bond, seen as the junior partner in executive director for the Americas, who is considered the front runner inside the bank after turning around Marine Midland, the group's formerly ailing US subsidiary. and Mr Paul Selway-Swift, who is responsible for the group's operations in Hong Kong and China and was promoted to the main board earlier this sum-

Mr Bernard Asher, executive director of capital markets, and Mr John Strickland, executive director in charge of information technology, are also possi-

Mr Brian Pearse, Midland's chief executive, while highly rated personally by Mr Purves. is considered as a remote outsider, partly because of his age,

the merger of the two groups.
It was a condition of Bank of England approval for Hongkong Bank's takeover of Mid-land that senior HSBC management be resident in London. Timing of the management shuffle is linked to a change in HSBC's tax residency; the

dent on January 1. Mr Purves, who does not move to London until August or September next year, will stay on as executive chairman during the transition period. He has said he will serve in that role thereafter for as long as the board of the bank deems fit. It is expected that Mr Purves will hold the chairmanship of HSBC for some years to

group becomes a UK tax resi-

In his interview with the Post, Mr Purves said the merger with Midland was going "remarkably well". He sald a great deal had been achieved in a short time but that a lot remained to be done at Midland where Mr Pearse was "getting on well with it".

"We have a policy of delegating responsibility to individuals depending on experience,"

"The bank is not run by committees. This is something that is a change for Midland. There were many more committees and many more committee ons were being made in Midland than we had.

"But I think they are wel-coming the change. I think Mr Pearse himself is not a great

### black with £62,000 MICROVITEC, the USM-quoted

Microvitec

returns to

computer peripherals manufacturer and software group, returned to profit in the first half of 1992 after two years of consecutive losses.

The turnround came despite continuing losses in its distribution division and higher net interest costs.

Pre-tax profits of £62,000 compared to losses of £2.21m. including £267,000 of rationalisation costs, last time. Earnings per share came to 0.1p against losses of 4.8p. No dividend has been paid since 1990. In the latest period the

group reported operating profits of £439,000 (£1.67m losses) on turnover which more than doubled to £25.5m, mainly reflecting the acquisition in May last year of Logitek, the computer services company. Mr James Bailey, chairman

and chief executive, said: "We have continued to reduce costs and improve efficiency and these, together with our changing product mix, have improved gross profit margin to 26.3 per cent."

"This has been achieved despite the effects of the continuing recession, price reductions by computer manufacturers and fierce discounting by competitors."

Net interest charges more than doubled to £377,000 (£183,000) mainly as a result of debt acquired with Logitek. However, Mr Bailey said the company was committed to reducing the level of gearing, which had improved to 72 per cent at the end of June.

All divisions of the comnany, except the Logitek distribution business which is operating in a "hostile environment", operated profitably in the first half. A new management team has been appointed in the distribution division and costs are being The monitor and display

division returned to profit foilowing the successful imple-Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On increased capital. \$USM mentation of a joint venture with Electrohome of Canada, and the launch of the new AlphaWindows terminal.



Stephen Cuthbert: recent metal finishing acquisitions have exceeded expectations

# **Brent Chemicals overcomes** recession with 39% advance

By Andrew Boiger

Brent Chemicals ...

Bryant ...... Dinkle Heel ...... Edinburgh Fund

BRENT CHEMICALS International reported interim pre-tax profits up by 39 per cent to £6.4m in spite of continuing recessionary conditions in most of the speciality chemical group's

The Buckinghamshire-based group, which took heavy redundancy and reorganisation costs at its 1991 year-end. increased earnings per share 21 per cent to 5.3p (4.4p). The interim dividend is held at

The shares closed 7p higher at 139p. Turnover, boosted by acqui-

sitions, increased from £49.9m to £59.9m in the six months to June 30. The group said sales and profits growth were particularly strong in packaging, graphic arts and aerospace activities. Business to the electronics industry had also been expanded, in spite of continuing weakness in that

Mr Stephen Cuthbert, chief executive, said Brent's two most recent metal-finishing acquisitions - Hebro in Ger-

had exceeded expectations, with the former's sales and profits up by more than 15 per

Lord Lane of Horsell, chairman, said UK business remained under pressure but achieved increased profits on reduced volume following efficiency improvements. Overall the group continued to gain market share and main-

tained its gross margin.

This, together with the

overhead reductions achieved in 1991, increased the return on sales to more than 10 per Lord Lane said: "We believe the trading performance supports our strategy of realigning

the group away from low-growth UK markets to a more broadly-based international business."

The group, which raised \$15.6m in a rights lesue last November, and net cash of \$4m at June 30, but most of that will be paid out in deferred ations during the second half.

Lord Lane said: "Whilst the short-term outlook remain uncertain, our geographic and market spread will enable us to benefit from the eventual mar-

# Bryant bounces back with 97% advance to £20.3m

By Peter Pearse

BRYANT GROUP bounced METALRAX, the engineering components, housewares and back in the 12 months to May storage equipment group, improved its margins in the first half of 1992 by "matching 31 with a 97 per cent advance in pre-tax profits to £20.3m, against a depressed £10.3m. Last time the West Midlandscosts to volume", according to Mr Eric Moore, managing based housebuilding and construction company made provi-

sions of £12m - £8m for house Pre-tax profits rose by sites and £4m for property developments. In the period £13,000 to £3.32m on turnover lower by £1.8m at £30m.
In the branded storage under review, this had fallen to equipment and housewares £5m, split £2m and £3m respecdivisions, which each account tively. Operating profits rose 37 per cent to £21.4m (£15.6m). for a quarter of the business Mr Moore said heavy discount The £10m pre-tax increase ing had been avoided and that was struck on turnover ahead product development was the at £322.9m (£282.8m) and

against a background of con-In components, where the tinued depressed confidence in shrinkage in volumes was not unexpected, the investment in the housing market. However, Mr Andrew Macplant and equipment helped kenzie, managing director, said the group stay competitive. that the company would con-Mr Moore said the group tinue to expand organically was "keeping its nose in front"

in Yorkshire, where Bryant in its trading in the second half, though the third quarter has seven sites, and in the north-west, where it has six. Although further geographical Karnings were unchanged at spread, especially in the north, 3p per share and a rise in the is likely, acquisitions are interim dividend to Ip is "extremely unlikely", be

House sales increased 25 per cent to 2,330, split evenly between the south and the core central areas, even though the average selling price fell to £86,000 (£90,000). This produced a 73 per cent climb in operat-ing profits to £15.6m (£9m) on turnover of £196.6m (£159m).

With prices in the land market becoming "more realistic", Mr Chris Bryant, chairman, said that the land bank had grown to nearly 10,000 plots

However, house sales had

slowed recently, Mr Mackenzie

with planning status. Year-end borrowings were £15.6m, giving gearing of 8 per cent (5 per cent). It would not, according to Mr Michael Chapman, finance director, be pushed above 20 per cent by future land purchases, Associated undertakings' borrowings

fell to £21.7m (£25.4m). "A broad mix to spread the risk," said Mr Chapman, was the recipe in the construction side, where operating profits rose by £2m to £4.6m. Turnover was £100.5m (£97.4m) but is likely to fall to the £60m mark

sales, and lettings stand at 80 per cent. Profits declined to £1.2m (£4m) on turnover of 227.3m (£32.7m).

The final dividend is unchanged at 3.4p for a total of 4.8p, covered 1.2 times by earnings of 5.5p per share.

in deep recession, Bryant has

COMMENT With the housing market still

helped itself with prudent provisioning made extensive enough - some £30m so far and, more importantly, early enough. It has made a virtue of selling at a price to find buyers and avoiding having to rely on sweetening deals to make sales. Its low plot costs have let this strategy work, as the results show. Although house prices have slipped, Bryant has increased volumes with more or less the same overhead the number of sites rose from 85 to 90. Forecast profits of £22m pre-tax for the current year give a multiple of 15.9. That, and a safe yield of

about 7 per cent make the stock attractive within the sec-

August 1992

NEW ISSUE

This announcement appears as a matter of record only.

**DIVIDENDS ANNOUNCED** 

0.35 5 0.057

payment

September, 1992



This announcement appears as a matter of record only

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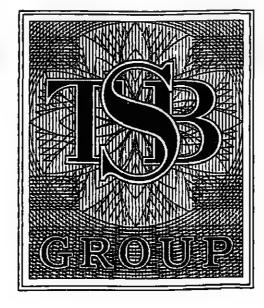
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### KLOOF GOLD MINING COMPANY LIMITED

("Kloof") (Registration No. 64/04462/06)

LIBANON GOLD MINING COMPANY LIMITED ("Libanon")

(Registration No. 05/08381/06)

### VENTERSPOST GOLD MINING COMPANY LIMITED

("Venterspost") (Registration No. 05/05632/06)

(All companies incorporated in the Republic of South Africa)

### INTEGRATION OF OPERATIONS

APPROVAL OF INTEGRATION OF OPERATIONS/ALLOTMENT AND ISSUE OF SHARE AND OPTION CERTIFICATES

The terms of the integration of the operations of Kloof, Libanon and Venterspost by means of schemes of arrangement, which were set out in the document dated 12 August 1992, have been approved by the shareholders and option holders concerned and where applicable, sanctioned by the Supreme Court of South Africa (Witwatersrand Local Division). Kloof has allotted new shares and options for issue to the relevant registered shareholders of Libanon and Venterspost and to the Venterspost option holders in terms of the schemes.

### SURRENDER OF SHARE AND OPTION CERTIFICATES

An explanatory circular containing a Form of Surrender has today been posted to the registered shareholders of Libanon and Venterspost and to the registered option holders of Venterspost, who should complete and submit the Form of Surrender together with the relevant certificate(s)/document(s) of title to the South African transfer secretaries or United Kingdom Registrar at the addresses shown on the Form of Surrender, if they have not already done so, in order to receive the new Kloof share certificates and, where applicable, the new Kloof option certificates.

### FRACTIONAL ENTITLEMENTS

Fractions of shares and options in Kloof to which shareholders of Libanon and Venterspost and option holders of Venterspost are entitled, have been aggregated and will, to the extent possible, be sold on The Johannesburg Stock Exchange ("JSE") within five days of the record date, 18 September 1992, at the best price reasonably obtainable, for the benefit of the relevant shareholders and option holders. Cheques in respect of the net proceeds of the sale of fractional entitlements will be available from 28 September 1992 to such shareholders and option holders on surrender of their certificate(s)/ document(s) of title.

EXERCISE OF KLOOF OPTIONS

Kloof option holders are advised that these options need to be exercised during the period 1 November 1992 and noon on 30 November 1992. The necessary forms of application for the exercise of the options will be posted to Kloof option holders shortly. Options not exercised during the aforementioned period will lapse and will be of no value or effect thereafter. The listing of the Kloof options will terminate at the close of business on 30 November 1992.

STOCK EXCHANGE LISTINGS/DEALINGS

The listings of the Libanon and Venterspost shares and the Venterspost options on the JSE and the London Stock Exchange ("LSE") terminated at the close of business on 18 September 1992. The listing of the new shares and options on the JSE and LSE commences on 21 September 1992. On the LSE dealings commence on 21 September 1992.

ODD LOT HOLDINGS

Shareholders and option holders who wish to acquire additional ordinary shares or options in Kloof in order to increase their odd lot holdings to multiples of 100 shares or options, or to dispose of odd lots held, should request their stockbrokers to contact Fergusson Bros., Hall, Stewart & Co. Inc., 9th Floor, The Stock Exchange, Diagonal Street, Johannesburg, 2001, Republic of South Africa (P.O. Box 691, Johannesburg, 2000, Republic of South Africa) or at telephone no. (011) 833-5740, who have made arrangements for trading in odd lots at the relevant ruling market prices for a period of two weeks from Monday, 21 September to the close of business on Friday, 2 October 1992.

Registered and Head Offices 75 Fox Street

**London Secretaries** Gold Fields Corporate Services Limited Greencoat House Francis Street Loudon SW1P 1DH United Kingdom Registrar

Barclays Registrars Bourne House 34 Beckenham Road

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South Africa Transfer Secretaries

21 September 1992

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Advisers to Liberron and

Standard Marchant Benk Limited (Registered Bank)

SMB

(Registration No. 64/08586/06)

### **COMPANY NEWS: UK**

# A man with his finger on the pulse

Raymond Snoddy profiles Pierre Vinken, the Elsevier chief with global ambitions

OU MAY have run into Mr Pierre Vinken in the past without ever realising it. It would have been on London's Piccadilly Line somewhere between Heathrow Airport and Green Park station and Mr Vinken, chairman of Elsevier, the Dutch publisher, would almost certainly have been wearing a sober blue suit and be on his way to a meeting at Reed International, the international publishing and

information group.
"It was beautiful when Reed was right beside Green Park station," says Mr Vinken, a former neurosurgeon turned publisher who still often travels from the airport into London

by tube.

If it is very cold, or he has a lot of paperwork to get through, Mr Vinken will, how-ever, hail a cab.

The quietly-spoken Mr Vinken is not only a millionaire; if all goes to plan, from January he will also be chairman of one of the largest publishing groups in the world - Reed Elsevier, the £5bn group being created by the merger of the two companies

An important part of his ambition to make Elsevier a truly global company has been fulfilled by the merger agree-

ment.
"The bigger, the vester, the

organism the more you can do with it. There is an endless string of possibilities for improving businesses. With 35,000 people there are always people with ideas. If you are fishing this is an enormous net you are casting into the ocean. You always catch something," says Mr Vinken in a rare inter

He has never appeared on television and says he never will. Despite Elsevier owning several influential Dutch newspapers Mr Vinken, who is 64, says he never voluntarily speaks to the press. He is, he insists, a private person. Mr Vinken, whose father was

a coal mine security officer. graduated in medicine in 1955 and between then and 1963 did post graduate studies in psychiatry, neurology, neuroradiology and neurosurgery. And that was how he turned to publishing.
"I was working day and

night and had no money. What I did to escape was spend my weekends and free evenings working for a medical publisher indexing journals - the lowest you could be.

Within a few years he was editor-in-chief of 50 journals and for five years maintained a dual career as publisher and

neurosurgeon.
"I would operate between



Pierre Vinken: in line to be chairman of Reed Elsevier

7am and 12 noon, then I would go for lunch to the publishing company where they were waiting. I would work there from 12.30 to 6pm and then I would go home and do either of my homeworks," he says. When Mr Vinken was forced to choose by Elsevier in 1970 there was no doubt in his

somehow makes a publishing company attractive to me. I know how each of these products are made and I could stand in for any of the jobs save for book keeping," he The Elsevier chairman was

"I think there is something

editorial born in me which

an early exponent of electronic

data bases for medical use and was also chief editor of the 27volume Handbook of Clinical

Neurology.

But he can also point to a growth of operating income that has averaged 20 per cent a year and operating income per

share of 15 per cent. He is due to become the first chairman of Reed Elsevier and will then be succeeded by Mr Peter Davis, the Reed chairman who will be chief executive of the merged com-

The chances for effective. ness and efficiency are enormous but I will not be the one to bring this into the next century. Peter will do that. But I will contribute experience and a sense of strategy and direction as far as necessary, Mr Vinken said.

Together they would be saving costs and developing strategies, including acquisition strategies, designed to boost profit per share.

That is good for the com-pany, good for everyone. You get the best personnel, the best products in an almost Darwenian process of natural selection and improvement," says the former neurosurgeon who claims never to look backwards and is already looking forward to the first meeting of Reed Elsevier.

to requisition an extraordinary

meeting to outline proposals

for returning the USM-quoted group to profit.

Cont Stationery in .

management buy-out

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### NEWS DIGEST

### Dan-Air denies link with Virgin

MR DAVID James, chairman of Davies & Newman Holdings, which owns the Dan-Air airline, has denied that the group is in merger talks with Virgin Atlantic, the airline headed by Mr Richard Branson

Mr James said yesterday: "The only discussions which have taken place with Richard Branson have been intermittent dialogues over the past two years considering various marketing initiatives. There are no dialogues in hand beyond such minimal levels and certainly nothing which would justify talk of a merger."

### Edinburgh Fund Managers dips 23%

Edinburgh Fund Managers, the international fund managegroup, reported a 23 pa cent fall in pre-tax profits from £2.46m to £1.89m in the six months to July 31.

Mr Colin Ross, chairman, said the decline reflected reduced profit from unit trust trading, lower income on cash deposits and increased administrative costs associated with an imminent office move.

He said the full year was expected to show a comparable decline in profits as that experienced in the first half. The interim dividend, however, is held at 5p and a maintained final of 8p forecast.

New business totalling £100m was won in the period, but this was partially offset by a 3 per cent fall in funds under management to 21.84bn, as

world stock markets declined Earnings per share dropped from 9.5p to 6.9p.

### Falling margins at Dinkie Heel

Difficult treding conditions in the UK and exchange rate pres-sure resulted in falling operating margins at Dinkle Heel in the six months to June 30.

Reflecting increased exports. this Bristol-based supplier of components to the footwear manufacture and repair industries reported turnover of £3.38m against last time's £2.93m which excluded a 2701,000 contribution from lossmaking Enterprise, which was sold in October.

Operating profit was static at £154,000 but a reduced interest charge of £44,000 (£64,000) lifted the pre-tax line to £110.000 The interim dividend is

maintained at 0.35p, payable from earnings of 0.87p (0.55p) per share.

### Helene shows 15% rise to £812,000

A 15 per cent expansion in first haif profits was yesterday reported by Helene, the clothing distributor. On turnover ahead to 236.7m

(£33.2m), the pre-tax line for the six months to June 30 amounted to £812,000 (£706,000). Earnings per share improved to 0.71p (0.56p); the interim dividend is held at 0.65p.

### Alexander Russell declines by a third

Pre-tax profits of Alexander Russell, the Glasgow-based

fell by 32 per cent in the six months to end-June as recession continued to affect demand for building materials. Despite a 3 per cent increase in turnover, from £18.2m to

quarrying and coal company.

£18.7m, profits before tax were down by £287,000 from the £621,000 reported at the halfway stage last year. Earnings per share emerged at 0.68p (1.4p) and an unchanged interim dividend of

### in is declared. Slight advance to

Unidare, the Dublin-based maker and distributor of heating, electrical and welding slightly ahead at I£2.45m (£2.52m) for the first half of 1992, against l£2.35m which included an exceptional credit

Salas, helped by acquisitions, rose 21 per cent to I£59.9m (I£49.6m). The company said underlying growth was 8 per 12.64p (11.46p) and the interim dividend is raised to 4.3p (4.1p).

### United Drug offers I£5.16m for Alchem

United Drug, the Dublin-based pharmaceutical distributor, is making a recommended 125.16m offer for Alchem, the parent company of Sangers, Northern Ireland's biggest pharmaceutical wholesaler.

United is offering 13 new shares for each 8 existing Alchem shares, Alchem shareholders are also offered a loyalty bonus of 3p per share if they hold the United shares for three months after the date of

ble undertakings for acceptance from the whole of Alchem's board and certain members of their families who together hold some 18 per cent of the issued capital.

**Buoyant Refuge ups** 

United has received irrevoca-

dividend to 9.6p Refuge Group, the life assurance company, increased its interim dividend from 9p to

### Total revenue premiums for long-term business for the six months to June 30 increased by I£2.45m at Unidare

almost 14 per cent to £108m (£94m) and sales of regular premium business rose to £17.9m (£16m). ds, reported pre-tax profits The strongest growth was seen in single premiums, which rose 35 per cent to £26.5m (£18.6m).

However, general domestic insurance remained static at £6.6m (£6.5m) and poor results from the Douglas Allen Spiro estate agency business were unlikely to show any improve-

### Support for Harmony board

The board of Harmony Leisure Group, the loss-making pub and restaurant group, has received expressions of support in its fight to prevent being ousted, according to Mr Stan-ley Lever, managing director. He added that there was rec-

ognition that as he and his family controlled about 24 per cent of the company the presant board had "every desire" to take the company through the present difficulties. An "alternative board" led by Mr Andrew Martyr, a for-

Continuous Stationery, the printing group which incorporates the Prontaprint chain,

### has been acquired in a "public to private" management The buy-out - backed by 3i,

the investment capital group values the company at Following the management's offer of 40p per share in cash, 88.69 per cent of Continuous

Stationery is now owned or

controlled by the new com-CE Heath stake

### in Jamaican bróker CE Heath, the reinsurance

broking group, has bought a 30 per cent stake in Crawfurd a subsidiary of ICWI Group, the financial services conglomerate.

Neither party has disclosed the cost and the nature of the transaction.

### Lancer Boss steps up French interests

Lancer Boss Group, Britain's biggest lift truck producer, is. expanding its European presence through the acquisition of Manualp, the largest materials handling equipment distributor in central France.

Terms of the the deal, made through Boss France, a wholly owned subsidiary, were not disclosed.

# **基 Schroders**

### Interim Statement

18th September 1992

The profits of the Schroder Group for the first six months of 1992 were higher than in the same period of the previous year. However, the general business outlook and the state of the financial markets remain uncertain.

An interim dividend for the year ending 31st December 1992 of 6p per share (1991 interim: 5p) has been declared. This does not of itself imply any increase in the final dividend for 1992.

The dividend will be payable on 5th November 1992 to ordinary and non-voting ordinary shareholders on the register on 15th October 1992.

120 Cheapside, London EC2V 6DS

### FIDELITY FUNDS

Société d'investissement à capital variable 3rd Floor, Kansallis House, Place de l'Etoile L-1021 Luxembourg RC Luxembourg B 34036

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Fidelity Funds ("the Fund") will be held at the registered office of the Fund in Luxembourg on Thursday 1st October 1992 at noon to consider the following agenda:

- Presentation of the Report of the Board of Directors. Presentation of the Report of the Auditors.
- Approval of the balance sheet and income statement for the financial year ended 30th April 1992.
- Discharge of the Board of Directors. 5. Election of nine (9) Directors, specifically the election of Messra. Helmert Frans van den Hoven, Charles T.M. Collis and Sir Charles A. Fraser the re-election of the follow-
- ing six (6) present Directors: Messrs. Edward C. Johnson 3d, Yasukazu Akamatsu, Barry R.J. Bateman, Jean Hamilius, Glen R. Moreno and David J. Saul. Approval of the payment of directors' fees for the year ended 30th April 1992. Election of the Auditors, specifically the election of Coopers & Lybrand S.C.,
- Approval of the payment of dividends for the year ended 30th April 1992 and authorisation of the Board of Directors to declare further dividends in respect of the financial year ended 30th April 1992 if necessary to enable the Fund to qualify for "distributor status" under United Kingdom and Irish tax laws.

Consideration of such other business as may properly come before the meeting. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3 %) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote.

Such proxy need not be a shareholder of the Fund.

Luxembourg.

BY ORDER OF THE BOARD OF DIRECTORS



mer hotel executive, is trying THE SHARE CENTRE LTD SMARE REGISTER RATIONALISATION SERVICE if so, call Dr Katrina Bills 671,266

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BANQUE NATIONALE DE PARIS USD 300.000.000,- floating rate notes 1985/2005 The emount of interest for the in bogianing on 21 April 1992 and ending on 19.10.1992 as fixed by reference agent will be

USD2639,58 per USD 100,000,00

notes being a rate about 5,25 per cent

Professional Profe International Depositary Receipts will be made in US delians on or after September 22nd, 1992 at the rate of USSO.0903 per

### COMPANY NEWS: UK

# Loss of licence helps TVS return to profit

TVS ENTERTAINMENT, the ITV broadcaster for the south of England, achieved pre-tax profits of £7.6m for the six months to June 30, compared with losses of £10.9m last

The results accompanied an agreed £38.2m offer for the company from International Family Entertainment which runs The Family Channel, a general entertainment cable channel in the US.

The offer, which values each TVS ordinary at 25p and each preference share at 45p, has the support of main shareholders such as Canal Plus. Mr former chief executive of the company is leading opposition to the bid on the grounds that TVS is worth much more.

The offer is partly in cash and partly in shares in IFE, which was listed on the New York Stock Exchange in

TVS has come on the market. because it failed to win a new broadcasting licence in last's year's competitive tenders for ITV franchises and ceases to be

main explanation for the improved financial position. The company has reduced its UK broadcasting activities and cost base as quickly as possi-

stake in the CBS/MTM studio company in Los Angeles for \$27m in February has also helped to reduce group borrow-ings to £3.5m at the end of June, compared with £25.4m at the end of 1991.

Losses at MTM, the US independent production company whose purchase caused many of TVS Entertainment's prob-lems, have increased although sales marginally improved. MTM reported a loss of 25.7m in the first half, against £2.4m, because of the weak dollar and an increase in the amortisation of US programme costs.

Turnover was up from £102.1m to £106.3m. Because TVS continues to have a deficit on its own profit and loss account no dividend is

Mr Rudolf Agnew, TVS chairman, said that the process of winding down UK broadcasting operations and cutting costs would continue in the

the expiry of its Channel licence as is possible in all the

circumstance. .
If the IFE offer is confirme the American company will take over on January I and base its operation at the TVS studios at Maidstone, Kent. TVS has already sold its Southampton studios to its succes

For each TVS ordinary, the offer is worth 0.041195 of the new IFE shares, while each TVS preference share is worth 0.074152 of the new IPE

The partial cash alternative offer is worth a maximum of 23p for each ordinary and 43p for each preference. The maxi-mum amount of cash available tive is £19.5m, with £6.3m being available for ordinary shares and the rest for preference

If all TVS shareholders elect for cash, then the cash offer for ordinary shares will be scaled down to a minimum of 10p cash plus 0.021422 new IFE shares, while preference share holders will receive a minimum of 25p in cash plus

### Salvesen sells oil offshoot for £28.5m

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, manufacturing and specialist hire group, has sold its oilfield technology subsidiary for £28.5m to BJ Services Company, of Houston.

The Aberdeen-based Salvesen (Oilfield Technology) had a net book value of £15.8m and made operating profits of £3.3m in the year to March 31, which the group described as a difficult period in the North Sea oil business

Mr Chris Masters, Christian Salvesen's chief executive. said: "The sale is in line with our strategy of focusing on a limited number of activities where we have a demonstrable The proceeds will be used to

reduce gearing, which stood at sideration is being satisfied by a £15m 90-day loan note and the balance in each.

when companies in the offshore supply business face increasing competition for work as oil companies cut



director of MAI, pictured outside the company's offices yesterday

BOARD I	WEETINGS	
to lollowing companies have notified dates board meetings to the Stack Exchange, ch meetings are usually held for the pur- ou of considering developing. TODAY	Planto Oli Service Rainors Sears Sylae-Piclavett Ta8 Stores Ty-an	Sep. Sep. Sep. Sep. Sep.
intime-Bruke Bros, British Fillings, Briston kish, Comer. CressaCaro, Ekinick, Harring- e Kilorida, Hartinna, Jardine Alatheson, kil, Morsh, Sealedd Res, TT, Yarmgc, aco, Wolstenbolme Stell. Baile- Cantors, Heys, Lloyd Thompson.	Withou Ligarops) Yuby Cano Phash Allied Leisene EFM Dragon Trust	Sep Oct. Sep Oct. Sep Sep.
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erston Thompson	Trace Computers	Sep. 2

# **Bristol & West hit** by four-fold jump in bad debt charge

PRE-TAX PROFITS at Bristol & West, the UK's 10th largest building society, plunged by 67 per cent during the first six months of the year after it was forced to make a four-fold increase in its bad debt

Profits for the six months to June 30 1992 amounted to £13.1m, down from £39.2m last

The bad debt charge was up

from £7.2m to £29.7m. Almost all the provisions pere against residential londing as a result of the fall

They also included a general

Mr Tony Fitzsimons, chief executive, said the society had decided to make substantial provisions at the interim stage this year, even though it had been fully provided at the end

half and the figure for the full year should show an improve-ment on last year provided there is no further deteriora-

was not so bad as had been feared in some quarters. The fall in profits should be treated as a one-off event because of Bristol & West's decision to introduce a new provisioning

formula. rose from £6.2bn in June last year to £7.3bn, although part of the increase came from the takeover of Cheshunt Building

Society.
Interest income was up by 7.5 per cent to £64.2m, but noninterest income dropped by 8 per cent to £34.2m.

The society's mortgage book grew from \$5.7bn at the start of the year to £6bn.

There had been a good

inflow of retail savings despit the general trend in the industry, said Mr Fitzsimons. Management costs rose by 10

per cent to £55.6m. This partly reflected the soci-cty's policy of opening new retail financial centres and a new non-retail mortgage distribution arm.

Hamptons, Bristol & West's 100-branch estate agency This was said to be lower than

# Ross surges to £1.35m and lifts interim by 33%

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ROSS GROUP, the acquisitive consumer electronics and packaging services company, yes-terday announced sharply higher first-half profits and turnover, and lifted its interim

The company, brought to the main market through a reverse takeover of the Whittington giftware group in March last year, reported pre-tax profits in the six months to June 30 of

This compared with £101,000 in the same period last year when profits were reduced by

Turnover jumped to 123.5m (£8.52m) and operating profits but were partly offset by

2468,000 (£285,000).

Mr Noal Hayes, chairman, said substantial progress had again been achieved despite difficult trading condit-

Earnings per share of 0.73p, or 0.76p per share fully diluted. compared to losses of 0.15p per share last time, out of which an increased interim dividend of 0.2p (equivalent 0.15p) will

trading conditions because of the depressed level of high street spending, but continued to broaden its customer base and secure new product list-

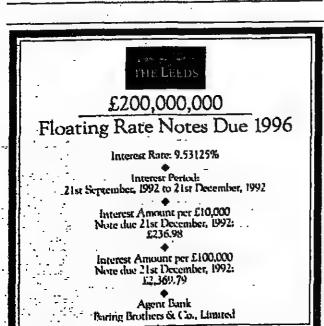
The acquisition of Stellar, completed in November, which introduced car security into the group, is now "well inte-grated and considerable bene-fits are being derived both from cost savings and ongoing

Gemini Car Alarms produced another strong performance and the acquisition of Sonicare in August has consolidated car security as an important growth area for the group, as well as giving it a presence in

made steady progress with the 27m modular prefabricated avi-

said trading conditions showed few signs of improving, but expressed confidence that by controlling costs and market ing effectively the group will produce "a very strong second

### **IBM World Trade Corporation**





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# Green issues to 'shape' energy industry

By David Lascelles, Resources Editor in Madrid

ENVIRONMENTAL considerations are likely to have a decisive influence over the future of the energy industry, according to participants in the World Energy Congress which began here yes-

terday.

It will shape the way energy companies operate, as well as the use to which customers put their products. In each case, the industry could be the loser through higher regulatory costs, or changing patterns of demand.

The industry's anxieties about envi-

ronmental issues were set out by Mr David Simon, the chief executive of BP. who said: "There has been a change in the standards demanded by customers - although not necessarily in the amounts they are prepared to pay for

He argued that oil companies were more environmentally aware than usually given credit for. And by investing in new oil supplies they were contributing towards the economic growth that enabled the world to afford higher environmental standards. If the public did not like fossil fuels it could always stop using them. But that was unrealistic. So the public must expect prices to rise to pay for higher standards, or else the oil industry would not be able to attract investment money. Nor would a proposed carbon tax

achieve desired environmental results. especially if it was merely added to the range of taxes which already distorted the energy market.

Mr Simon's keynote speech to the congress, held once every three years, was accompanied by a forecast from the World Energy Commission that energy supplies will be plentiful well into the next century, and that ecologi-cal pressures could be the sharpest fac-

tor depressing energy demand. Mr Henrik Ager-Hanssen, senior vice-president of Statoil, said this sce nario implied enormous increases in energy efficiency, particularly among former communist countries, and the third world. But he doubted whether sufficient quantities of technology and finance could be transferred to these countries to achieve the necessary effi-

ciency gains. "There is major uncertainty as to whether or not such a development will be given priority as compared to policy actions which are more energy

# Russia faces \$6.6bn bill to update aluminium smelters '

Valkhov

Uralski

Akrame

Volgograd Kamens

By Kenneth Gooding, Mining Correspondent

ABOUT US\$6.6bn was needed to update Russia's four biggest aluminium smelters, Mr Horst Peters, general manager, technology marketing, for VAW Aluminium, said yesterday. He suggested that a better use for the cash would be the construction of three new smelters with a capacity of 400,000 tonnes each.

Mr Peters said Russia's aluminium fabricating industry also required substantial capital to convert defence-oriented plants to the production of consumer products such as aluminium for cans and packaging materials. At least one new hot mill was necessary with a capacity of 700,000 tonnes which would cost \$500m. About the same amount of capital was required for other downstream aluminium projects.

"But who is prepared to spend substantial amounts of money for the Russian aluminium industry?" asked Mr Peters, He said it was unlikely that foreign governments would place a high priority on investment in the Russian aluminium industry. But the western aluminium industry could

CIS ALUMINIUM SMELTERS 60,000 250,000 150,000 Novokuz 280,000 320,000 850,000 70,000 50,000 520,000

perhaps help by transfering technology to modernise smelters and fabricating plants, and developing joint projects in line with western standards. in a paper for Metal Bulletin's aluminium conference in Oslo. Mr Peters said the Russian aluminium industry's

main asset was the 25,000

Po - pre-bake S - Soederbore

by hydro electric projects in the Yennisel area of Siberia. The 14 aluminium smelters in the Commonwealth of Independent States had a total annual capacity of about 3.8m tonnes but they were "physi-cally outdated - using old technologies with unattractive technical parameters". The smelters were not able to meet standards and if environmental laws were enforced "nearly all the smelters in Russia would have to be closed or have to substantially reduce produc-Mr Peters said that, even if

three new aluminium smelters were built in Russia, alumina, an essential raw material would have to be transported from the Japanese Sea, adding up to \$300 a tonne to the cost of aluminium production. This would have to be offset by "nearly zero charges for elec-

The CIS's ten alumina plants had a combined annual capacity of 5.25m tonnes but were using processes which pushed production costs up to 100 to 260 per cent above those in Western Australia, the lowest-

# Once again Opec shoots itself in the foot

Neil Buckley examines the tensions now surfacing in the oil producers cartel

Off, PRICES continued to drift lower yesterday, on uncer-tainty following Iran's refusal to sign the agreement reached by the Organisation of Petroleum Exporting Countries last ment that it intended to leave the cartel.

Brent crude for October delivery feli 15 cents on the day to \$20.20 - leaving it about 30 cents lower than before Opec's ministerial monitoring meeting in Geneva.

The markets' uncertainty is understandable. Last week's meeting again demonstrated Opec's capacity for shooting itself in the foot.

Even pessimistic Opecwatchers had forecast an easy meeting. In theory, all members had to do was quickly agree to hold production at current levels of around 24.3m barrels a day - allowing a little more for Kuwait - and then either roll over their February/ May production ceiling of 22.98m b/d and continue to ignore it, or formally raise the cailing to a more realistic level of, say, 24.5m b/d.

That, analysts believed, would have given oil prices an upwards shove of up to \$1 a barrel in the face of expected higher demand in the fourth quarter. Opec members could have gone home ready to fight another day - namely in November, when thornier issues such as members' market shares, and how to deal with the eventual return of

Opec members', August 1992 Gabon I Ecuador Qalu Algeria **2**: Indonesia Libya . Nigeria UAE Venezuela COMP.

Reported oil production

Iraq to the export market are

0 2 4 8 8

Million barrels per day

expected to be discussed. Instead, Opec wrangled for two days, emerging with a somewhat wishy-washy communique which one member refused to endorse, and with another member threatening to pull out of the organisation. The final irony was that Mr Gholamreza Aghazadeh, the Iranian oil minister and Opec's flercest price hawk, actually managed to talk oil prices down 40 cents through his comments after the meeting.

The markets may yet change their mind, however. As one analyst in Geneva put it: "This was actually a good deal, pooriy packaged. Analysts and traders both believe that while oil prices did not get an immediate boost from the Opec meeting, they will start to rise on strong market fundamentals in the next

Mr Peter Gignoux, head of the energy desk at Smith Barney in London, said he saw Brent crude reaching \$22 before Opec's next meeting in November.

Opec's communiqué pledged its fourth-quarter "market share" should be 24.2m b/d. with Kuwait allowed to continue to increase output. The aim was "to attain the minimum reference price of \$21 a barrel" for the Opec basket of crudes (equivalent to more than \$22 for Brent crude).

With estimates of fourthquarter demand for Opec oil, including production and stocks, at more than 25m b/d, this should produce a tight market. Oil stocks, moreover, are at a four-year low.

The big question is whether Opec will stick to the agreement. Traders were, for example, concerned about the use of the vague phrase "market share" instead of "production ceiling" in the communique. Opec ministers were anxious to play down the significance of this. Mr Hisham Nazer, the Saudi oil minister, suggested it was simply a term "that comes

most people are very tired. "It is a ceiling," he added. A more serious concern is possible "leakage". But those countries who have surplus

at the end of the day when

capacity - apart from Kuwait, which will increase production by up to 300,000 b/d as it rebuilds its oil industry are seen by analysts as unlikely to lift production significantly.

Iran's Mr Aghazadeh said he had "no intention" of doing anything to disrupt the market, in spite of his criticisms of the agreement.

He said Iran would adjust production according to world demand. Analysts suggest Iran is likely to continue to produce at between 3.2m and 3.4m b/d. and are sceptical of its claims that it already has capacity of 4m b/d

Mr Nazer of Saudi Arabia refused to comment on production plans, but the kingdom is not seen increasing production much above the 8.4m b/d it claimed in August. The sting in the tail at last

week's meeting was, however, Ecuador's announcement that it intended to give up full membership of Opec and seek to become only an associate member - the first country to do so since Opec was formed in 1960. Mr Andres Barreiro Vivas, Ecuador's energy minister, said the matter would be discussed at Opec's next meeting in Vienna.

Ecuador's ostensible reason for leaving is that it is unhappy with its quota and wants to increase oil revenues to help pay off its \$13bn foreign Paris-based consultants Cam-

bridge Energy Research Asso-

clates suggests Ecuador may be wondering if its hopes for economic improvement would be better served by other organisations such as the international Monetary Fund, where not being an Opec member could strengthen its negoti-

In itself, Ecuador's withdrawal would be unlikely to have more than a symbolic impact on Opec. It is the second-smallest producer, with only 1.3 per cent of total output. The danger, however, is that other members suffer from the same revenue constraints and frustration about Opec's failure to raise prices.

Gabon and Oatar are seen as most likely to be tempted to follow Ecuador's lead, but Mr Peter Bogin of CERA says even this would not cause serious harm to Opec.

"The only people that really matter in Opec are the big producers. It has been an organisation of six members and not 13 for some time now."

However, Mr Vahan Zanovan of the Petroleum Finance Company in Washington, suggests larger producers such as Nigeria or Venezuela might also be tempted to follow Ecuador, which could pose a serious threat to Opec.

"These countries see themselves as weak and uninfluential members who just turn up. take a lot of abuse from the Gulf countries and go home. They may start to think hard

# Private Bolivian mines opposed

By Chris Philipsborn

**BOLIVIAN** mining unions have voted to occupy mines subject to joint venture deals in protest at the government's drive to slim down Comibol, the state mining corporation, and open it up to private invest-

The unions want to stop Comibol going ahead with joint venture and leasing deals with

private companies. Since the concept of joint venture contracts was first touted last year, only two have been

Private companies that have signed deals with Comibol, including Minoroe and Cominesa, have been unable to start operations because of industrial action.

Mr Alvaro Rejas, the Boliv-ian mining minister, has warned that the government

will shut down any mine which is occupied, and dismiss any miners taking action. However, both Mr Rejas and Comibol's management lack govern-ment backing to confront the unions and speed up the joint venture proces

Mr Rejas said the action would be an act of suicide for Bolivian mining. Several potential private mining inves-tors cite labour troubles as a

# Indonesia seeks to boost domestic gas consumption

Indonesia's main island of Java of the Indonesian Gas Associais set to increase its consumpwith the commissioning of three new electric power stations, a urea plant and a gas system for the city of Surabaya

in East Java, writes William

Speaking to a recent meeting

tion, Mr Wijarso, a senior offi- Muara Karang and Tanjung of 108m and is the economic cial of the Department of Priok, and to the Kujang II centre of Indonesia, would be cent to 975m cubic feet a day Mines and Energy, said the urea plant in Cikampek. planned expansion was backed up by proven reserves of 4.5 trillion cubic feet.

He said Arco International is developing new offshore fields to deliver 280m of a day to the newly built 1,350 MW comThe ARBNI Pagerungan field

will soon supply 390m of a day to the city of Surabaya and to a 1.080 MW power plant and urea plant in Gresik. Mr Wijarso estimated that consumption by the year 2000 in close to 1,500m of a day. A recent World Bank study

estimated that gas fields in Java and its offshore sur-rounds could be proven up by an additional 2.1-8.1 trillion of. Even at the low 2.1 trillion of figure, an additional delivery 1,470m of a day.

um, 99.7% purity (5 per tonne)

1249-60 1270-1

months 1267-8 months 1269-90

ead (2 per tonne

auth 352-2.5 membra 363-3.5

opper, Grade A (£ per tonne)

bined cycle power plants in Java, which has a population of 500m of a day of gas could be brought on line by the end of the decade, Mr Wijarso said. The government's policy is to, whenever possible, substitute domestic oil consumption with gas. Indonesia would save 250,000 barrels of oil a day if domestic gas consumption in Java could be increased to

392.5/15/ 384/361

# Weather hits Canadian harvest

By Bernard Simon in Toronto

UNUSUALLY wet and cool weather has seriously delayed Canada's prairie grain harvest and is expected to affect both the volume and quality of this

year's crop.
Farmers in Alberta suffered a summer snowfall last month, and frost has already hit most other parts of the prairies. Scientists blame the freak weather, which has given many parts of Canada east of the Rockies their wettest and on dust spewed into the atmosphere by last year's eruption of Mt Pinatubo in the Philip-

Mr Ken Budzak, crop analyst at the Saskatchewan Wheat

(Prices supplied by Amalgamated Metal Trading) CRUDE CIL (Light) 42,000 US gaits S/barrel

Pool, said the province's farmers had harvested only 8 per cent of their crop by the end of last week. In a normal season, close to 80 per cent would be in the bins by mid-September. Mr Budzak estimated that harvesting would take another month

An official at Manitoba Pool Elevators said the wheat harvest in that province had ranged between zero and 45 per cent so far. He added that "very little" oilseed, rape and flax had been taken in.

too early to assess fully the weather's impact on yields and quality. While some damage has undoubtedly been done, it

appears that fears of a disaster

"We're not in a position where we have to panic yet." Mr Budzak said. But he added that estimates of the size of the crop "keep dropping every

day". Mr Budzak expects Sankatchewan's crop of six main grains and oilseeds to be somewhere below 20m tonnes, down from earlier estimates of 20.9m

The Alberta Wheat Pool's most recent estimate of the total harvest in that province a 10-year average of 15.4m. But the final figure is expected to be somewhat lower. The late harvest will not necessarily do further damage, provided that after the late-August snowfall rain does not germinate crops.

Chicago

### WORLD COMMODITIES PRICES

### MARKET REPORT

Three-month NICKEL fell to a 212-year low of \$6,905 a tonne in early trading on the LME following Chinese hedge liquidation. Traders said that the Chinese had been the market's main source of support. If they were no longer there as buyers, the market would be likely see lower prices in the near future unless producers took some action, Meanwhile, to hang over the LME as buyers faced dearer prices in local currency terms. The most marked example continued to be COPPER; three-month metal closed at \$2,435 a tonne, up just \$8. A further rise in Comex

### London Markets SPOT MARKETS

Crude oli (per barrel FOB)(	Oct)	+ 07 -
Dubal Grent Bland (dated) Brant Bland (Nov) W.T.I (1 pm cet)	\$16.30-8.352 \$20.10-0.15 \$20.25-0.30 \$21.70-1.752	- 160 - 160
Oli products		
(NWE prompt delivery per	tonne GIF	
		+ or -
Premium Gasolino	\$216-218	-1
Gas Oil	\$188-189	-1
Hoavy Fuel Oil	\$90-92	
Naphtha Petroleum Argus Estimates	\$189-19Q	
Other		+ 01 -
Gold (per troy oz) 4	\$347.25	-4.75
Silver (per troy oz) -	361.5c 5362.5	-8.0 +0.75
Paliadium (per troy oz)	5902.5 590.75	FUTB
Copper (US Producer)	112.5c	+ 1.0
Lead (US Producer)	WU.76	71.0
Tin (Kuela Lumpur market)		-0.02
Tin (New York)	307.50c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (five weight)	108.65p	-0.73°
Sheep (live weight)† Pigs (live weight)†	70.026 81.10	-0.53, -0.58,
London daily sugar (raw) London daily sugar (white)	\$234.0w \$265.7w	+0.6
Tate and Lyle expert price	2245.5	+ 1,5 + 3 6
	£120.5	
Barley (English leed) Maize (US No. 3 yellow)	E137.0	
Wheat (US Dark Northern)	Unq	
Flubber (Oct)♥	55.50p	+0.25
Rubber (Nov)♥	65.50p	÷0.25
Rubber (KL RSS No 1 Jul)	219.5m	-1.6
Coconut oil (Philippines)§	\$502.5y	10.5
Paim Oil (Malaysian)§ Copra (Philippines)§	\$387 5y \$320.0	-2.5
Copra (Prinippines)s	£149.0w	+30
Cotton "A" index	67.00	
Wooltops (64s Super)	4000	+ 13.0

stocks on Friday and reports that the Polish copper miners had lifted their strike threat were both ignored. GOLD retreated below \$350 a troy ounce on the London bullion market, and the Comex active December futures contract was off more than \$4 at \$348.60 in late trading in New York, US fund liquidation emerged in New York after the French referendum at the weekend. London's second postion robusta COFFEE contract broke through resistance at \$800 a tonne, boosted by French trade

	R = Lond		(\$ par to
Rew	Close	Previous	High/Low
Dat	186,00	202.60	202.00 193.60
Dec Mar	194.20 194.00	202.00 198.60	198.00 193.00
Mey	196.00	199.00	198.60
White	Close	Previous	High/Low
Dec	254.50	530,50	258.00 254.00
Mar May	255.50 257.00	260.50 260.00	260.00 255.00 260.00 256.00
Aug	260,40	262.00	262.70 259.50
Oct	248.90	251.50	251.00 249.00
Des	250.90		251.70 251.00 ts of 50 tonnes.
CHUDI	Close		S/bs us High/Low
Nov	20 28		20.32 20.21
Dec	20.30		20.33 20.22
Jan	20.22		20.27 20.23
F95 Mar	20.12 20.04		20.16 20,94 19,99
IPE Ind			20.38
Turnov	er 13500 (2	22500)	
			\$/to
GAS O	Close	Previous	High/Low
			107.25 (原:40
Oct	186.75 190.50	187.25 191.00	191 00 189 25
	186.75 190.50 193.25	187.25 191.05 193.75	191 00 189.25 192 80 182.00
Oct Nov Dec	190.50 193.25 193.76	191.00 193.75 194.25	194 00 192.00
Oct Nov Dec Jen	190.50 193.25 193.76 190.75	191,00 193,75 194,25 190,25	194 00 192.25 191 00 188.75
Oct Nov Dec	190.50 193.25 193.76 190.75 164.50 180.50	191,00 193,75 194,25 190,28 164,58 186,00	194 00 192.25 191 00 188.75 184.50 183.50 181.00 179.00
Oct Nov Dec Jen Jen Apr	190.50 193.25 193.75 190.75 164.50 180.50 177.50	191,00 193,75 194,25 190,25 164,39 186,00 177,50	192 80 192.00 194 00 192.25 191 00 188.75 184.50 183.50 181.00 179.00 178.50 177.00
Oct Nov Dec Jan Feb Mar Apr Way Juri	190.50 193.25 183.76 190.75 164.50 180.50 177.50	191.00 193.75 194.25 190.25 164.35 180.00 177.50 176.50	194 00 192.00 194 00 192.25 191 00 188.75 184.50 183.50 101.00 179.00 178.50 177.00 176.25 176.00
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Diriii Marc	788	748 771	767 756 796 768	
Mily	796 818	791	<b>803</b>	
Jul _	<b>836</b>	WIT	826 822	
Turnove	er: <del>8656</del> (	5006) lots o	f 10 tonned	
ICCO H	rdicator	prices (SDF 7/187 (789	is per tonne), L68) 10 day ave	Deily
or Sep	21 778.4	6 (786.25)	root to only are	a angre
COPPE	Close	Previous	High/Low	
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ian	621	767	825 794	
War May	824 826	804 805	835 809 822 808	
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unë	Cash Timosths	6840-80 6700-10		8890-1 8745-1		6740/	<b>100</b>
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							_
or	(Prices supp				eld)		
•	Gold (troy o	sz) S pri	<b>DB</b>		equiv	 Lent	-
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	2 months		38 36	12 mo	nthe	2.36	,
	Sliver fiz	b/p.o.	y oz	U	S cts (	oquiv	~
	Spot	222.6			82.30		_
	3 months 6 months	227.6		3	85.10 88.05		
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	GOLD COIL	13					-
							_
		<b>3</b> p	rice		equiv		-
	Krugerrand	3 p	50-35	150	E equiv		-
	Krugerrand Maple leaf New Sovere	3 p 348 359	.50-35 .45-38	1 50 ±	_	208.00	-
	Maple leaf	348 348 359 ign 84.6	.50-35 .45-38 00-86.0	1 50 ±	205.00-	208.00	-
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	Maple leaf New Sovere TRADED Of Aluminium ( Strike price 1250 1300	3 p 348 369 ign 84.6 PTIONS 89.7%)	.60-35 .45-38 00-86.0	1 50 1.75 10	205.00- 49 00-5	208.06 0.00 Puns	-
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9	AM	COROLL	Kerb c	losse Op	en imereat		Close	Previous	High/Low						
-	_	-	Total dei		\$2,602 ldts	-					BOYA	BEANS I,	900 bu min; i	ents/60% b	ushel
9	199	70-1		.,		Oct Nov	21,02 21,75	21.05 31.75	21.97 21.79	21.05 #1/07		Dige.	Previous	High/Low	
ě		15-4	1292-2.5	5 165	3,583 lots		21.65	21.00	21.69	21.67	***				
Ē			Total dal		31,800 lets	Jen	21.52	21.53	21.00	21.48	Sep Nev	569/6 544/0	862/0 841/8	864/0 845/6	650/4 640/6
-	- 444	4.6	101101	3 10111010	Tipose page	Peb	27.88	21.38	21,44	21.35	Jan	850/6	549/0	852/2	847/0
ю	141	11-2 35-8	1443.5-	4 185	3,797 lots	Mar	21.34	21,24	21.30	A1.46	Mar	556/0	556/6	560/0	655/0
_	- 170					Apr	21.10	21.10	21.14	21.08	May	565/2	584/4	567/0	582/4
			Total da	ny primow	er 5,892 kets	May	20.97 20.85	20.97 20.85	20.90	81.00 20.67	آبيل	572/4	671/4	874/0	570/D
ì		-1.5		_		Jui	01.74	20,74	20.81	20.74	Aug	579/2	673/0	0	Q
	361	-1.5	363-4		874 lots						\$ep	570/4	570/2	673/Q	570/4
			Total da	ily turnovi	or 5,394 lobs						SOYA	BEAN OIL	60,000 lbs; t	vents/ib	_
	683	5-40				HEAT	NG OIL 4	2,000 US gr	kila, cents/i	US calls		Citore	Previous	High/Low	
6	691	0-5	6910-20	28,	427 lota	_	Close	Previous							
			Total de	lly turnove	er 3,497 lats				Highflaw		- Bep - Oct	19.50 18.70	18.66	18.70	18.57
	668	0.00				Oct	8217	6183	6250	8150	Dec	10.70	18,70 18,96	18.75 19.04	18.57 18.81
0	673	5-40	6700-5	10,	178 lots	Nov Dec	6296 6386	6271 6356	6330 8406	6320	Jen	19,13	19.15	18.18	19.02
			Total dell	A principal	17,052 lots	Jan	6405	B393	8445	6360	Mar	19.35	19.40	19.45	19.26
_	137	TLT				Feb	6306	6295	6340	6266	May	19.65	19.05	19.71	19.65
3	134		1349-50	68.6	082 lots	Mar	6078	8088	8105	8055	Jul	19,00	19.91	19.04	19.76
-						Apr	5683	5868	6900	6860	Aug	20.01	20.02	20.05	19.98
	8 ma	onthe: 1.6	867	a me	mths: 1,8385	iday.	5753	6731	0	0	BOYAL	SEAN ME	ML 100 tons;	\$/ton	
						Jun Jul	5666 8643	5846	0	9		Close	Previous	High/Low	
						- Con	2070	2020	•	a		_			
	Ne	wΥ	ork								Sep	167.0	166.3	105.0	166.5
						COCY	A 10	ne 3/mm	_		Oct Dec	186.9 186.7	188.3	187.6	188.2
	GOLD 1	00 troy o	z; S/troy o	Z.							- Jan	186.7	186.3	197.7 167.8	188.3 186.5
		Clima	Previous	High/Lov			Close	Previous	High/Lov		Mar	186.9	186.3	1117.0.	186.7
					_	Dec	988	966	994	250	May	186.8	188.2	187.5	100.6
	Sep	347.5	351.5	0	0	Mar	1040	1019	1045	1013	Jul	107.0	187.4	188.5	187.5
	Oct Nov	347.8 348.5	351.5 352.1	346.6	0.14	May	1072	1053	1075	1054	Aug	198.7	188.5	188.7	168.7
	Dec	349.4	353.0	351.3	348.3	Jul Sep	1100 1129	1081	1082	1082	MAIZE	5,000 bu	min; cents/6	5/b bushel	
	Fub	350.8	354.4	352.6	350.0	Dec	1166	1110 1143	1116	1107 1140		Close	Previous	HiptyLove	<del></del>
	Apr	352.2	355.8	364.0	351.8	Mer	1203	1185	1200	1170				INDIVIOUS	
	Jun	143.7	357.3	235.7	365.0	May	T228	1210	0	0	Sep	216/2	222/4	222/0	214/0
	Aug	355.3 357.0	358.9 360.6	0	0						Mar	216/2 225/0	216/0 224/6	216/4 225/2	215/0
	Oct					***					May	231/2	231/2	231/4	223/6 230/2
	PLATIN	UM 50 tr	oy oz: \$/tro	y 02.		COH		,500lbs; cer	sts/lbs		Jul	238/0	236/0	236/2	235/0
		Close	Prontous	High/Low		_	Close	Previous	High/Low	,	Sep	237/2	237/2	237/2	236/2
	Oet	363.7	385.6	364.6	383,4	Dec	56,90	55.30	57.30	55.50	Dec	241/0	241/0	210	240/6
	Jan	360.0	362.4	361.5	359.5	Mar	58.10	56.55	58.60	57.20	WHEA	5,000 bu	min; cents/	30lb-bushel	
	Apr	358.0	360.4	380.0	359.0	May	61,60	59.80	61.80	60.50		Cione	Previous		
	Jul	358.0	380.4	380.5	360.5	Jul Sep	62.60	60.80	63.00	61.40	-			High/Lo-	
						Dec	63.25 62.90	61.80 63.80	64.00 66.00	63.25 64.70	Sep Dec	330/6 342/6	332/0 342/2	331/4	329/0-
	SELVEN	8,000 tro	y cut; cocur	Utroy on.					OX.00	94.70	Mar	346/6	346/2	343/6	340/0 344/2
		Clase	Previous	High/Los							May	341/4	340/6	341/4	339/4
						COTT	2H 50,000;	cents/lbs			Jud	319/2	319/4	319/4	318/0
	Sep Oct	390.7 301.0	384.7 385.0	381.0 0	380.0		Charles .	Previous	High/Low		Sep Dec	324/4 335/0	324/0 ·	324/4	324/4
	Nov	W1.5	385.5	ō	ō	Oct	58.40	67,50	59.00	58.10					<b>c</b> ;
	Dec	363.2	387.2	384.0	201.0	Dec	56.17	00.10	58.90	65.82	LIAE C	ATTLE 40,	000 lbs; cen	ts/ibs	
	Jan	384.5	388.5	0	0 385.0	Mar	56.97	58.70	57.55	56.65		Close	Previous	Highraw	
	Mar	386.9 389.4	390.9 393.4	385.0 386.0	388.0	May	57.00 SB.10	59.33 59.55	58.05 58.60	57.32	Oct	75.776	75.876	78.075	75.675
	Ad.	391.6	395.8	0	0	Det	59.20	60.28	0	56.00 0	Dec	73.673	73.325	73,600	73.550
	Sep	394.3	398.3	0	0						Feb	72.025	72.150	72.425	71.000
	Dec	396.4	402.4	396.0	<b>397.0</b>	ORAN	GE JUHCE	15,000 lbs;	COCIE/libe		Apr	73.200 70.150	73.176 70.200	73.500 70.400	73.175
	HICH G	HADE O	OFFICE 26.0	X00 104, 041	ne/les						Aug	68.775	68.800	69.200	70.150 68.775
		Close	Francia	High/Low			Clinus	Previous	High/Low	_	Oct	68.925	68.925	69.250	68.925
			107.95	108.25	107.40	Nov	114.70	115.25	115.45	114.20	LIVE H	OGS 40.00	00 lts; cente/i	-	
	Strip Oct	107.40 107.75	108.15	108.23	107.60	Jan Mar	114.70 114.80	114,70 715.00	115.00 115.40	114.20 114.25		Class			
	Nov	106 10	108.55	0	o o	May	115.80	116.00	116.00	115.50			Provious	High/Low	
	Dec	108.40	108.80	109.20	108.30	Jul -	115.30	115.50	0	0	Oct Dec	41 150	40.525	41.200	40.850
	Jun .	108.45	108.85	106.75	108.75	Sep	115.30	116.60	0	0	Feb	42.100 40.828	41,550	42.150 40.900	41.650
	Mar	108.50	100.00	109.05	108.70	Jan.	115.30	115.50	0	0	Арг	30.925	38.575	38.950	36.700
	Apr	108.35	105.70	0	0		- 10000		-	•	Jun	44.300	44,150	44,350	44, 150
	May	105.10	108.45	0	0	45:3		-			Jul Aug	44,200 43,200	44,150	44.300	44.100
	Jun	107.90	108.20	0	0	IND					Oct	40.425	43.075 40.325	43.200 40.450	43.100 - 40.350 -
						REUT	ERS (Sas	e: Septemb			Dec	42.250	42.600	42.250	42,100
	SUGAR	WORLD	<b>"11"</b> 112,0	00 libs; can	ts/ibs	1	Sep 21	Sep 18	moth ago	ут адо	PORK	BELL BES 4	0,000 lbs; cs		
		Com	Previous	High/Low			1678.1	1560.3	1678.5	1646,9		Close			<del></del> -
				<del></del>		DOW	JONES (6	lese: Dec. 5	1 1974 -	100)	-		Previous	High/Low	
		8.69 8.68	II.10 8.95	8.90	8.64 8.65	1	Sep 18		mnth ago		Fob Mer	41.000 40.900	40,850	<b>41.050</b> -	40.450
		0.75	8 96	8.92	8.72	1000	119.07	118.86	316.73	117.82	May	42.400	40.600 42 125	40.975 42.400	40.475
		6 75	8 96	8.95	8 75	Spot	117.UI 28.118.35		115.40	124,41	Jul	42,400	42 200	42,400	41,950 41,950
1	Oct	8 74	8.94	8 91	8.69	''ستن					Aug	41,150	41.150	42,400	0.000

Belize is a richer and more just society than many of its South American neighbours. Its judicial, political and educational systems work reasonably well. In spite of growing social problems, Stephen Fidler says it is possible to be optimistic about tomorrow

# A bridge to the future

WHILE civil war ravaged the rest of central America in the 1980s, Belize remained an oasis of calm. As heavy debt and economic crisis engulfed Latin America, Belize achieved high growth and single-digit inflation. In a zone with a history of military regimes and political instability. Belize offered democracy and respect for the

Belizeans are proud of what differentiates them from their neighbours; but their destiny will probably lie as much with the Hispanic countries surrounding them as it does with their traditional allies in the English-speaking Caribbean.

DOSel

3FVest

Belize is becoming, ethnically at least, more like its neighbours. An estimated 40,000 people — a fifth of the population — have arrived from neighbouring states over the past decade, fugitives from civil war or economic deprivation. The influence of the cre- the Afro-European group that has traditionally dominated Belizean society has meanwhile weakened

because of emigration. This has caused tension: the newcomers have provided the manpower for agriculture, the engine for growth in the 1980s. But they have put pressure on

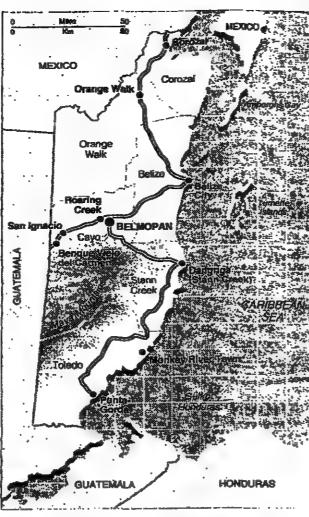
health services and schools. The prime minister, Mr George Price, who with his People's United Party has dom-inated Belizean politics for 40 years, has spoken of the country as a bridge between central America and the Caribbean. This is a long way from reality, but it is part of a growing rec-ognition among the mini-states of the two sub-regions of the

Until last year, practical co-operation with the rest of central America was impossi ble because of Guatemala's claim over the territory of Belize. The claim delayed independence of Belize - known until 1973 as British Honduras - until 1981 and was the reason for Britain's maintenance of a garrison of 1,800 men and a squadron of Harrier jets.

Following guidelines ham-mered out between the two sides, Guatemala last year recognised Belize's indepen dence. A final settlement will require further steps, including ratification in a referendum in Belize and concessions to guarantee Guatemala access through the Gulf of Honduras to the Caribbean.

These moves have allowed a lifting of the veto on Belize's tion of American States, to which it acceded in January 1991. Belize will also join the InterAmerican Development Bank in November.

The garrison still provides 8:10 per cent of the country's GDP, but its departure will not necessarily mean an end to the British military presence. As a



training ground, Belize's jungle terrain is excellent.

A withdrawai would anyway have less economic impact now than in the past thanks in large part to the growth of agriculture. Agriculture and agro-processing account for a quarter of GDP, 40 per cent of employment and nearly 70 per cent of exports. However, fourfifths of all Belize's exports benefit from preferential market arrangements, some of which are threatened.

As a member of the Commonwealth. Belize exports to BC markets at low tariffs under the Lomé convention. Its agricultural products also have tariff-free access to the US under the Caribbean Basin initiative (CBI), and the country

also belongs to the Caribbean common market, Caricom.

The North American Free Trade Agreement between the US. Canada and Mexico is one threat. It may encourage Mexico to become a big citrus producer.A further extension of US free trade agreements to other countries in Latin America, proposed under President George Bush's Enterprise for Americas Initiative, would also erode the special position of CBI countries.

According to Mr Ralph Fon-seca, minister of state in the ministry of finance: "The main tenet of our trade policy has been gradualism. We are saying give us to the year 2000 and we can take on anybody."

This approach recognises the



country's still heavy dependence on a few export products Remittances from overseas estimated to bring in US\$15m to \$17m a year - help balance this. So does tourism, which has grown to become the country's second most important source of foreign exchange.

Tourist attractions - rain forest, long expanses of coral reef and important Mayan sites - bave potential for further development, Belize has, however, neither the desire, the labour force nor the beaches sary to become a mass tourist destination.

The country also provides a positive reception for foreign investment. There are constraints such as a small labour force and mixed infrastructure: good telephones but poor roads and no access for large ships. Electricity is costly: 21 US cents per kilowatt-hour, almost three times that of the US. It can also offer stability. Government handovers of

policy. The Belize dollar has been fixed since 1976 at two to the US dollar and inflation has been low. The government is fairly free of corruption. According to one businessman: The worst thing you can say its friends."

However, the bureaucracy is often slow. One businessman describes it as "expert in procrastination" and Mr Fonseca says the government recognises a need to modernise it. The government is also seil-

ing commercial assets. The privatised, although the government retains a significant stake, and plans to sell the electricity company are being finalised. The privatisation programme has critics. Mr Manuel Esquivel, leader of the opposition, says that it risks being dominated by one company: Belize Holdings, controlled by Mr Michael Ashcroft, the controversial chairman of the British car auction and security group, ADT.
The government has

growing social problems. As migrants put pressure on health and education services, emigration to the US is tearing at the social fabric. Into this

attempted to speed up develop-

ment by increasing capital spending. This and its pay

award to public sector workers

of an annual 10 per cent for the

next three years have

increased anxieties that the

government is forgetting its

traditional fiscal conservatism.

bank president, is worried that

the government's revenues are

falling behind its spending:

"The government has suffi-

cient funds for the next two to

Mr Keith Arnold, the central

found its way. Belize has resolved one drugs problem in the 1980s it was one of the top five suppliers of marijuana to the US; now most of the plantations have been eradicated. But it has developed another: on a line between Colombia and the US, Belize is used for cocaine trans-shipment. The Belizean middle men are paid in kind and they have seen to it that a cocaine habit has developed. As a

result, crime, particularly in

Belize City, is on the increase. three years, but beyond that it Yet, in spite of these probwill have to take care.' lems, it is possible to be opti-mistic about the future. With This will accelerate talk of fiscal reform. Although legislation has been passed to enable imposition of a value added per capita income of US\$2,000 a year and a reasonable income tax, the government has been distribution, Belize is a richer reluctant to implement it. Yet and more just society than the tax system is outdated: many of its neighbours. Its most revenue is raised through institutions - its judicial. political and educational taxing international trade. systems - work reasonably well. As Mr Geoffrey Hart, The government also faces manager of Barciays Bank in Belize, says: "This country is not going to be a Singapore. It's no tiger but it has a lot going for it."



### BELIZE CHAMBER OF COMMERCE AND INDUSTRY

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Many factors outside the country's control influence the economy

# Dependence on agriculture A dominating

formidable short-term economic challenges.
Presenting this year's budget

to parliament, Mr George Price, the prime minister and finance minister, sald : "Not only is Belize a much more developing nation today, but we have started the process of preparing for the challenges of

the 21st Century."
Many of the factors influencing the economy are outside the country's control. However, the country appears much more capable than many of its neighbours of dealing with the uncertainties of economic change.

The foreign debt of Belize, for example, is comparatively light. The per capita debt of \$750 is less than half that of Jamaica to the east,

And Guatemala, to the west. carries a ratio of debt service to exports of 25 per cent, against Belize's 8 per cent.

Businessmen credit the present government and its predecessors with managing the economy in an enlightened

Some aspects of economic policy have aroused trenchant debate, but there has been remarkable consistency in spite of changes of administra-

Greater officiency and economic expansion appear to be the common objectives. The economy is narrowly based on agriculture and tourism. Expansion in both sectors last year led to overall growth of 4.2 per cent. Inflation was 5.8 per cent against three per cent

Last year, the economy grew at only half the average rate of the previous three years. Officials feel that this is preferable to the risk of overheating by over-rapid growth or of the inflationary tendencies in

neighbouring countries. The economy's biggest weakness is its logsidedness, being dangerously dependent on agriculture which accounts for a fifth of the gross domestic product and three quarters of the country's export earnings.

Agriculture has three main supports - cane sugar. bananas and citrus - with seafood omerging as a fourth pillar. This is the focus of the

BELIZE faces an array of uncertainty of which Mr Price

Belize depends on preferential access to food markets, all of which are subject to the glo balisation of international trade. It sells sugar under quota to the European Community and the US. There is no immediate threat to its EC sugar market, but the emergence of the North American Free Trade Area has raised questions about continued access to the US being

thwarted by Mexico. Belize's citrus concentrate market, mainly in Florida, has been developed within the protection of a trade programme under which the US allows countries in the Caribbean Basin to ship a range of products duty free. Belizeans officials fear Mexican citrus will the number tourists, contributing to the slowdown in economic growth.

Efforts are being made to viden the base of the economy. However, this is impeded by some fundamental infrastruc tural deficiencies such as lack of energy. High energy costs, for example, are an obstacle to an expansion of agro-industry and commerce. A \$180m hydropower station is under construction which, it is hoped, will provide more power more reliably, and eventually at

This, with expension of the new offshore financial services sector, plans for attracting foreign investment in information services and data processing, and Belize's potential for being an entrepot for Central America with the coming end of the

Some aspects of economic policy have aroused trenchant debate, but there has been remarkable consistency. Greater efficiency and economic expansion appear to be the common objectives

kill their market - the same fear they express for the small garment sector.

There is even more uncertainty over Belize's sales of bananas in Europe following the creation in January of the EC's single market. Belize, and the other traditional suppliers in the Caribbean Basin, are trying to maintain preferential access in the face of demands from Latin American exporters that there should be open trading in the fruit.

Higher wages and other costs make Belizean bananas more expensive, and less able to compete with cheaper Latin fruit. Mr Ralph Fonseca, the Junior finance minister, says that while Belize is worrled about the impact of free trade on its export markets, it is not against the principle of free

"Belize can respond to the changes, but we need time." says Mr Fonseca, "There must be a gradualist approach to all of this or small countries such as ours will not be able to sur-

The dangers were illustrated last year when poor weather depressed citrus and bananas, and the global recession cut

territorial dispute with Guatemala, promise some relief from the often fickle tradi-

tional sectors of the economy. There is also a controversia trend towards privatisation of state enterprises. The government has sold off the public telecommunications company, and also plans to privatise the electricity utility. There is even a possibility

the main port in Belize City will go on sale, followed, at some stage, by the country's international airport. Mr Price talks of a "dynamic

partnership" between government and the private sector, in which the private sector gains a bigger role and the government concentrates on managing those things which it has

"Privatisation is part of a gradual move to liberalise the economy in keeping with what is happening in the rest of the world," says Mr Fonseca. However, his enthusiasm is

not shared by Mr Manuel Esquivel, the opposition leader. People who see what the government is doing have realised that this is not a genuine privatisation," he says. "The government appears to be making

to the consequences and to public opinion. The governto say publicly that privatisa-

tion is the result of a correct

policy to which it is commit-Much of the debate over privatisation centres on Mr Michael Ashcroft, chairman of the UK/Bermuda ADT Group, and whose Belize Holdings registered as an offshore company, is a large investor in the telecommunications industry.

Businessmen say they would not be energised if Relies Holdings also took a significant hare in the power company. "Privatisation so far is a con pact between the government and one individual Mr Ashcroft," claims Mr Esquivel. This is denied by Mr Fonseca who says: "It was Mr Esquivel's administration which invited Mr Ashcroft to invest

Deregulation is also evident in parts of the foreign exchange market where comnercial banks are allowed to settle some current payments. No such latitude is being allowed over more fundamen tal matters such as the exchange rate which has been fixed at B\$2 to the US dollar since 1976.

However, there are also dan ger signals. The deficit on visible earnings has been widening and last year there was an overall balance of payments deficit for the first time in seven years.

There is also concern at trends in the fiscal accounts. We are concerned over reve nue and expenditure," says Mr Keith Arnold, governor of the Central Bank. "Revenue growth is not improving but there is expansion in expenditure, especially for wages and salaries and capital expendi-

Yet even these indicators cause little overt alarm. The general feeling is that Belize is loing well. "Economically, we are not

running, but we are crawling," says Mr Barry Bowen, a leading businessman. "We are babies and we are just beginning to learn how to move.

Canuie James

**POLITICS** 

# personality

FOR MORE than 40 years, the politics of Belize has been dominated by one man and one party. Mr George Price helped to form the People's United Party in 1949. This move - a response to the devaluation of the British Honduras dollar which hit the pockets of Beli-zeans - established an anti-colonialist party which the British originally viewed with

suspicion.
This suspicion lifted over the next 15 years, and Belize would undoubtedly have claimed full independence in the 1960s were it not for the Guatemalan claim over Belize. In 1964, the country became self-governing, except for foreign policy. defence and internal security. Full independence was gained on September 21, 1981.

The PUP won the six general elections held from 1954 to 1979, losing to the opposition United Democratic Party in 1984. Against the odds, it narrowly won the 1989 general election - with a narrow 15-13 majority in the House of Representatives. Its majority was strengthened after one opposition deputy switched to the

government benches.

Unmarried, austere and a is seen as likely to fight the next election, which must be held by 1994. The prime minister, the last of the generation of post-independence commonwealth leaders, has no obvious successor within the party. Those seen as most likely to succeed him are Mr Said Musa, foreign minister, and Mr Florencio Marin.

Although the party rhetoric would suggest otherwise, the policies of the two main parties have proved hard to distinguish. Although ostensibly more populist than the pro market UDP, the PUP in government has followed similar policies in favour of privatisation and continued investment. This has calmed the disquiet

among investors following the 1989 election which the PUP won by appealing to nationalist sentiment with the slogan "Belizeans first" and charges that the UDP had allowed foreign speculators to dominate the economy. The US embassy's assessment of the investment climate in the country

Beitzens dollar (B\$) Average exchange rate \_\_\_\_\_ 1990-92 US\$1 - E\$2.00 (fixed) 1992 1991 395.6 42 na Real GDP growth (%)1. .. .. 18.4 Inflation rate (%)3 ... .. -49.3 Current account balance (Sm)..... 15.2 2236 546 Main trading partners (%)4..... .... 20.8 2.1 Jemaice.

remains "excellent".

Mr Manuel Esquivel, the UDP leader and former prime minister, agrees the "PUP were more effective in fighting the election than we were".

Since the election the opposition has split over the aimedfor settlement with Guatemala, which Mr Requivel's party has supported. A faction, led by Mr Philip Goldson, a respected senior politician, has ceded from the UDP and formed a new party, the National Alli-ance for Belizean Rights. Mr Esquivel says his party

that in the the look run the UDP will not be hurt, since the NABR is a one-issue party.

Stephen Fidier

sacrificed "party integrity in

favour of national integrity" in

supporting the government

over the Guatemalan settle-

ment. "We felt this was an

opportunity to end this prob-

lem once and for all by making

a minor concession to solve a

This may add to his prob

lems in fighting the municipal

elections in March. But he says

### BANKS AND FINANCIAL SERVICES

# Change on the way

THE steady expansion of Belize's economy over the past decade has placed new demands on its financial services sector. Changes are being made to domestic banking and the government is putting into place legislation to develop an offshure financial services sector.

The 20-year-old Banking Act has worked well, says Mr Keith Arnold, governor of the central bank, but aspects of it need to be updated. The new act, similar to legislation in the Caribbean islands, will be completed by the end of next year.

"We are making sure that we do not encounter any problems, and we have learned lessons from developments such as those which have accompanied the operations of the Bank of Credit and Commerce International," says Mr Arnold. The new legislation will strengthen the greater protection of the clients of financial institutions, and changes mandatory capital requirements. The impending changes, officials are keen to emphasise. are merely protective.

Belize's one bank closure recently was that of a branch of a state-owned Mexican institution which was divested. There are four commercial banks, two of which are locally owned. "The country is adequately banked and is well-served by the number of banks it has," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize.

New legislation is also planned to improve the country's offshore financial services sector, "We need to look at the possibilities of offshore banking," says Mr Arnold. "We recently had a few inquiries about setting up offshore banks in Belize

but our legislation does not provide for these institutions and we need the regula-

major problem.

The indications of Interest in offshore banking followed the opening of an International Business Companies register in 1990, similar to that of the British Virgin Islands. The 350 companies registered so far do not pay taxes and are not allowed to do business in Belize.

The emergent offshore business sector has also had success with its shipping register which lists 129 vessels. New legislation has been enacted to encourage the creation of trusts. "This new law... applies to all trusts including charitable, non-charitable purpose trusts and offshore trusts," explains Mr. Glenn Godfrey, the attorney-general. "The trustee is regarded as non-resident in Belize for the purposes of exchange control."

Thought was given by the government to the creation of a stock exchange, but there was not enough business to support a market. An alternative was found in the creation of public investment companies .

Canute James

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The trappings of the British military garrison in Belize, they represent a passing phase in the country's foreign policy. The garrison's purpose had been to deter aggression by Guatemala which had threatened to invade in pursuit of a 130year-old territorial claim.

Now, however, Belize and Guatemala are heading towards a diplomatic solution of their differences. Belize is also hoping to make friends of other Central American countries which had backed Guatemala's claim. The role of the British troops will then change they are likely to stay for

Belize is both Carlbbean and Central American. It sits between two regions which have been economically, politically and culturally poles apart. Once the dispute with Guatemala is settled, Belize should be able to act as an economic and political bridge between its immediate neighbours and the archipelago to the east.

It is a member of the Caribbean Economic Community (Caricom) which is struggling to create a customs union, a monetary union and a common market. It shares with its antillean neighbours many of the economic difficulties and uncertainties of small economies. Belize might even become involved in other efforts at economic integration, such as the emerging common market in Central America.

Mr George Price, Belize's prime minister, and his predecessor in office, Mr Manuel Esquivel, have attended summits of the Caribbean Community. Recently, Mr Price was invited to observe summits of Belize's Latin neighbours.

"Belize is now is a position to do more in Central America because we have now established diplomatic relations with Guatemala," says the prime minister. "There have been two meetings of Caribbean and Central American ministers to discuss bananas. Belize has also attended two Central American summits.

Foreign relations

# Political bridge

been studying ways of increasing the level of integration of Caribbean economies, also concluded that Belize can play a pivotal role in bridging the gap between the Caribbean and Central America.

"A further objective of Caricom policy must be the exploration of possible levels of economic relationships with the Central American countries," the Commission concludes. "Here, in fact, are the makings of a system of competition between the two sub-groupings of the Caribbean Basin ... in industrial and agricultural exports."

It says that thanks to its location and its political inclinations Belize is naturally at the forefront of co-operation between the two regions. But Mr Esquivel feels that too much is being made of the role which Belize can play in bringing the Caribbean

Belize, he says, cannot be an effective bridge between the two regions because it has no influence in Central America. "Because of the Guatemalan claim we have been ostracised by Central America and we have kept out of Central American affairs, so we cannot claim any influence

in Central America," he concludes. "Our political and economic influence in the Caribbean is minimal as well because of our geography. Rather than being a bridge, we are desperately trying to straddle two regions to keep our balance." There is one very real and seemingly intractable problem which divides the Caribbean islands and Central America, and which could determine the value of a

friendship with Belize. The creation of a single European mar-

at home. But it will be a tough

task. Just as Belize's relative

wealth provides an irresistible

attraction to the poor peasants

of neighbouring Guatemala -

Belize's per capita income is

more than double Guatemala's

\$900 a year - so the prospects

of riches in the US (whose per

capita income is more than 10

times that of Belize) will cou-

■ Creoles: this group now makes up slightly less than 30

ers of English and an English-

derived patois, they are

descendants of slaves brought

over from Jamaica and bay-

The country's main ethnic

tinue to lure Belizeans.

grouns are as follows:

ket in January has put a question mark over the preferential market for bananas which Belize, the Caribbean islands and other developing countries have in Europe. The EC is struggling with a formula which satisfies the desires of the traditional suppliers, such as Belize, to maintain preferential access, while meeting the demands of the tendency towards freer international trade, as being demanded by Latin American producers. including Belize's immediate neighbours.

The disagreement threatens to abort any hopes of meaningful co-operation between the Caribbean and Central America. Mr Price has attempted to close the gap on bananas through meetings of government officials and ministers from the two

Inevitably, there has been effective technical co-operation between Belize and its Central American neighbours. Matters such as dealing with Latin America's cholera epidemic, a common approach to the problems of refugees in the region, and restoration and preservation of Amercan Indian artefacts, have provided ground for Belize's integration into the region in the

wake of better relations with Guatemala. Mr Ismael Garcia, Belize's ambassador to Central America, has concluded that there is now an opportunity for meaningful co-operation in trade and agriculture. Belize once gained substantially from transhipment of exports and imports for southern Mexico.

"Belize could prosper from the fact that it is English-speaking and could be an entrepôt such as Panama was," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize. "This country could, for example, warehouse material for distribution to Central America. There are opportunities for Belize to be Europe's gateway to North American Free Trade Area."

The next stage in Belize's efforts at being a good neighbour, however, will be determined by others. The Guatemalan government's proposals for resolving the territorial dispute are being contested in a constitutional court. Much hangs on the court's decision. Belize's relations with its Central American neighbours still hinge on its ties with Guatemala.

Canute James

The open door policy is under strain

# Haven for refugees

CENTRAL AMERICA's dirty wars have left Belize with one of the world's least known refugee problems; Belize has absorbed in 10 years an influx of foreigners equivalent to onefifth of its population.

In most countries, this would have brought about a surge of resentment and possibly rlots. In Belize, in part because of its sparse population, it has been viewed with equanimity. There are signs, however, that the early tolerance to the newcomers is wearing thin, which has forced the government to shift its laisser faire stance on the

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According to Mr Ismael Garcia, the country's ambassador to central America and Panama, most of the migrants to Belize are from El Salvador, accounting for perhaps 75 per cent of the estimated 30,000 to 40,000 foreigners who have

entered Belize to settle. Honduras used to provide the seasonal workers for agriculture in Belize but the place of these transient workers has now largely been taken by more permanent residents.

Some 20 per cent are from Guatemala, and the remainder from Honduras and Nicaragua.

Mr Garcia said refugee cards are held by about 7,500 heads of households, suggesting perhaps 20,000 people would be officially defined as refugees. The children of other migrants born in Belize would also be entitled to citizenship.

Belize has never established refugee camps, and refugees are free to move across the country. Many take over land and set up small farms, a practice generally tolerated by the government. However, relations between the previous government and the United Nations High Commission for Refugees did at times become tense. They have since relaxed, with the government aigning in 1990 the UN convention of 1951 and the 1967 protocol that

governs refugees' rights. The pace of immigration has slowed since the peak years in the mid-1980s. With the prospect of peace settling over central America, some migrants have started to trickle home.

However, there is little doubt that the settlers are overstretching the country's education and health services. At least 60-70 per cent of the people using Belmopan's hospital, for example, are migrants. An estimated 90 per cent of the immigrants to Belize are illiterate and unskilled.

Even though the migrants are recognised as making an important contribution to the

tor in the last decade - taking jobs for pay most Belizeans would not consider working for there is a growing sentiment

that the newcomers are depriv-

ing Belizeans of jobs. The government's recent statements have reflected this disquiet. The foreign minister, Mr Said Musa, said in June: The time has now come for us to make a clear distinction between those who are genuine refugees and those who are economic migrants." This policy aims at restricting entry of economic migrants and enforcing the law concerning illegal aliens. Voluntary repatriation will be encouraged.

The policy is, however, more easily stated than enacted. The border between Belize and Guatemala is highly porous and difficult to police, and the prospect of round-ups of "lilegal aliens" is not one the government reliables.

However, economics will continue to make Belize attractive for most central American nessants: farm workers can more than double the \$4 a day they earn in Guatemaia. Neither do the population pressures in the other countries exist in Belize.

Stephen Fidter

TWO important developments are putting strains on the tra-ditional harmonious relations between Belize's diverse eth-

In the last decade, the country has absorbed between 30,000-40,000 migrants, the equivalent of 20 per cent of its population, from elsewhere in central America. Meanwhile, emigration to the US continues among Creoles, the group that traditionally dominates the

business and political elites. These changes are having a profound impact on the country's economy and its demographic make-up. The new settlers are putting pressure on the overstretched hospital, social and education systems.

The ancestors of the Creole population curved out what in 1862 became the colony of British Bonduras from an Hispanic hinterland. But as a result of the growing numbers of settlers, they fear that they are "losing their country" to Spanish speakers who form a majority of the population. The migrants have, however,

provided this sparsely-populated country with an important resource, agricultural ned the last decade of growth. The Creoles have no tradition of agricultural work, partly because they were discouraged from doing so by the British who were solely interested in the region's logging potential, and prefer better-paying jobs in management, transport and EUVELDMENT.

**Stephen Fidler** discusses the diverse ethnic mixture

# Streams of history

in the US - amounting to an estimated \$15m-17m a year, Population, 1991 about 4 per cent of gross 65 years plus 4.2% domestic product - also help to balance the country's chronic trade deficit. But the 55-64 years 4.0% emigration deprives the coun-45-54 years 5.1% ising products of its education 35-44 years 8.5% system and one-third of all Belizeans now live in the US. 25-34 years 14.2% 5-14 years 27.8% Forty-four per cent of the population is under 15 years of age. A priority for the govern-15-24 years 20.1% ment, according to the prime minister, Mr George Price, is to encourage Bellzeans to stay

Chinese 0.4% Garifuna 6.6% Syrian/Lebanese 0.1% Indian 3.5% White 0.8% Maya Mopan 3.7%

men, the British who settled around the Bay of Honduras. They are concentrated around Belize City, where they make up about 68 per cent of the population.

Mestizos: now the largest

per cent of the population, according to the 1991 census, published this month. Speakgroup, the mestizes account for just under 44 per cent of the population, compared with 33.4 per cent who defined

Ketchi Maya 4.3% Other Maya 3.1% German/Dutch 3.1% themselves as of mixed blood in the previous census in 1980. This group, which speaks Spanish as a first language, is largely descended from the mixed-blood Mexicans and Mayan indians who fied

Mexico in the 19th century.

Their numbers are being sub-

plemented by more recent

migrants, escaping conflict

and poverty in other parts of m Garifunas: concentrated in the Stann Creek area to the south of Belize City, the Garifunas are the descendants of mixed-blood Africans, Carib indians and Europeans, who arrived in the area in the 19th century. Speaking English and a language of their own, the Garinagu, as they call themselves, make up about 6.6 per cent of the country's population, according to the 1991

Mayans: people who define themselves as Indian or Mayan make up 14.6 per cent of the population, according to the latest census. They are concentrated in northern, western and southern Belize and form several groups, some of whose languages are mutually incompreheusible. While an effort is under way to preserve their culture, many are adopting Spanish or English as a first language.

Mennonites: This group of fair-skinned Europeans began arriving from Mexico and Canada in the late-1950s, seeking freedom of religion and freedom from state interference. Concentrated in the north and north-west of the country and retaining their German language, they make up 3.1 per cent of the population. Easily recognised by the men's dark trousers and check shirts and the women's long dresses and headscarves, the Mennonites have made significant contributions to the country's agri-



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# Yes, we have too many bananas

THE government of Belize has taken to buying old bulls in an effort to heef up its live-tock

It buys them from farmers, and then provides the farmers with access to younger stock of

a higher quality. Small livestock farmers can also benefit from the loan of a young cow. When the beast has gained significant weight it is sold, with the farmer keeping the value added while it

was in his care. Such innovations are part of Belize's attempt to deal with three problems which trouble

over-reliance on the traditional and now uncertain sectors of sugar, bananas and cit-

high operating costs; access to credit for small farmers.

"Farm credit is a major problem for agriculture," says Mr Michael Espat, the minister of

agriculture and fisheries. "Commercial banks are not keen to give credit to the sector, and are interested more in short term credit at high interest rates. We are trying to get a small farmers' bank established which will give loans at 8 per cent, against the market rate of 12 per cent to 13 per cent. It will be established with B\$5m from the divestment of the government's holdings in state enterprises.

Bankers say there is no reluctance to lend for agriculture. "People with good projects and good track records are not turned away," says Mr Geoffrey Hart, the manager of Barclays Bank in Belize.

"The government's agencles handle many such loans and the farmers' bank is planned. These are more than adequate for developmental purposes in

In spite of these problems, non-traditional agriculture has been expanding. Beef production, for example, has grown to allow exports, on the hoof, over the border to Mexico's Cancun

Mr Espat reports that the country is self-sufficient in meat and eggs, and an expected 50 per cent increase in rice production this year. lifting output to 15m pounds, will satisfy local demand.

The country's proximity to the US and Canada offers a growing market for tropical and exotic fruit. Officials report increasing local and foreign interest in cashews, pineapples, ginger, papayas and

More significant, however, is the promise of continuing expansion of seafood production and exports, and which earned the country B\$20m last year, 15 per cent more than

Lobster, shrimp and fish are finding markets in North America, Europe and the Far

Shrimp exports are set for significant growth in volume from last year's 500,000 pounds. Two shrimp farms have been established which, at full production, will each produce im pounds a year.

In addition to their headaches over credit, farmers face a few other difficulties. Although official figures point to a labour surplus, the farming sector has difficulty finding enough workers.

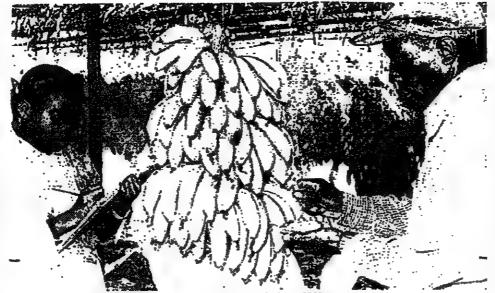
The shortage has been eased by the influx of refugees from Belize's neighbours, who are willing to do work refused by some native Belizeans. Expansion of agro-industry is also difficult. The minimum

wage of Belizean workers is twice as big as in neighbouring Electricity costs will remain high for several years until a

hydro-electric station which is

being constructed becomes Large-scale, commercial processing and refrigeration of meat products, for example, is

not attractive. The inputs for agriculture in Belize are very costly," says Mr Joe Smith, director of agricultural projects. "There is a



high cost for fuel, wages and chemicals, for example, and this puts agriculture at a sig-

olficant disadvantage."

In spite of the promise of rapid and significant expansion in the non-traditional products, Belizean agriculture will continue to depend for some time on its main sectors. But these face an uncertain future. Sugar, bananas and citrus are dependent on preferential markets in North America and

Current changes in international commerce such as the

the emergence of the North American Free Trade Area (NAFTA), and the creation of a single European market in January all threaten a sector which accounts for one fifth of

the economy. Raw sugar, totalling just over 91,000 tonnes last year, is sold under quota to the European Community and the US and at prices significantly higher than those prevailing on the world market.

The country also sells to the world market after domestic

demand has been satisfied. While there is no immediate concern over the future of the EC sugar quota, there are already doubts over continuing preferential access to the US with the emergence of NAFTA Indications of increased access to the US for Mexican sugar has left Belize and its neigh-

quotas will be phased out. There is similar concern about exports of orange and grapefruit concentrate, most of which go to the US under a preferential trade programme

for several Caribbean Basin countries

Easier access to the US for the Mexican product will damage Belizean citrus which suf-fered last year from poor weather, but which is expected to do better this year. Lake other traditional suppliers of bananas to the EC, Belize is caught up in a hattle to retain preferential access after next

Its neighbours, who produce at a lower cost, are arguing for an open market on which the Belizean fruit will not be able to compete. "We have been told our access to the EC will be at the 1990 level of our exports but the growers are asking for the access to be at that which we expect to be exporting in 1997," says Mr Espat. "1990 was a bad year for exports as floods and disease depressed production."

The acreage under bananas has expanded by a third since 1989, and the industry's goal is to lift exports to 100,000 tonnes. six times the 1989 level, by

While agriculture has a central role in the country's economy, there is no political consensus about its future. "We have a simple economic plan. and that is to grow as much food as we can." snys Mr George Price, the prime minis-ter. "We must meet our local demand for food, and then look to exporting.

Mr Manuel Esquivel, the opposition leader, disagrees: bours concerned that their there is over dependence on agriculture in the economy. he argues. "Agriculture is important, but we cannot hang our hat on this alone as we cannot do anything about the

**FORESTRY** 

FINANCIAL TIMES TUESDAY SEPTEMBER 22 1992

# Chewing gum regains its old-time flavour

THE CHANGING tastes of gum chewers are playing a small part in the revitalisation of Belize's once valuable market for forest products.

The country had been a significant supplier of chicle, the base for chewing gum, but lost the market to synthetic substitutes. Chewers again favour the natural material and Belize is looking at an increase in chicle production.

There is unlikely to be any similar expansion in the export of other forestry products, including hardwoods and dves. which were once the mainstay

This activity, and the use of 'slash and burn" techniques by peasant farmers, damaged significant areas of woodland, Now there is a more enlightened approach with the emphasis on sustainable development which seeks a careful balance between exploitation and natural and artificial regeneration of the forest.

The concerns were dramatically illustrated a few years ago when environmentalists objected to plans by the Coca Cola Company of the US to grow citrus on a large tract of and it had bought in Belize.

There were threats to boycott Coca Cola products inter-nationally. The company balked and presented the land as a nature reserve to the Programme for Belize, a private, non-profit corporation which is trying to achieve a balance between conservation and sustainable economic development over the 200,000 acres which it

manages,
"We are trying to get sustainable forest projects in which there is a balance between the business aspect and concern for the environment," says Ms Joy Grant, managing director of the Pro-gramme for Belize. "For example, we would like to extract chicle and manufacture gum

Belize's forests are also being put to work by the growing tourist industry, in particular, for holidays with an environmentalist theme. Officials say nature trails have become more popular and that Belize has a growing reputation among bird watchers and

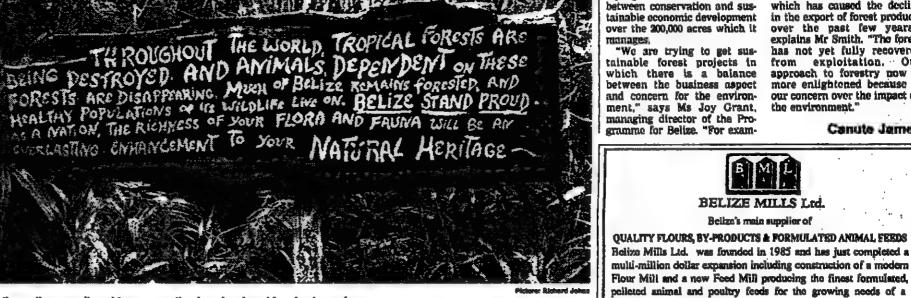
nature lovers. Traditional forest industries still continue, but at a reduced level "There is production o pine, mahogany, rosewood and a range of hardwoods," reports Mr Joe Smith, director of agricultural projects, "These are used for local industry and some for export. Resin from pine is being extracted and exported for use in chemicals

Exports of sawn wood products last year reached 3.8m board feet, 65 per cent more than 1990 exports. The trend is continuing, with exports in the second quarter of this year being 25 per cent higher than the same period of 1991. The government is keen on adding value to exports by increasing the quantity of processed wood and furniture, while reducing shipments of sawn timber.

The production of wood veneers has started, but the forestry sector suffers from inadequate curing milling and facilities.

"It is the concern over the indiscriminate use of the forest which has caused the decline in the export of forest products over the past few years,' explains Mr Smith. "The forest has not yet fully recovered from exploitation. Our approach to forestry now is more enlightened because of our concern over the impact on the environment.

Canute James



Sign of the times: the commitment to conservation has developed in a haphazard way

The country's 450 cayes are a paradise for scuba divers

# Beautiful, multi-faceted jewel

CONSERVATION and tourism drlving force has been the conservationists objected. have become almost synonymous in Belize. Mr Glenn Godfrey, minister of tourism, calls the country a beautiful, multi-faceted iewel.

It boasts the longest barrier reef in the western hemisphere, and has 460 beautiful cayes which are a paradise for snorkellers and scuba divers, it also has some of the best preserved rain forests in the world in spite of extensive logging, as well as the beautiful Mayan mountains and their archaeological remains.

Government tourism policy does not aim at large-scale ritzy developments such as Mexico's Cancun and Ixtapa but smaller-scale projects. where possible under Belizean ownership and retaining maxi-mum added value for the country while respecting its traditional, eccentric social fabric.

The commitment to conservation has developed in a fairly haphazard, incoherent way. Foreign institutions have played a significant role most notably the World Life Conservation International, an offshoot of the New York Zoo-logical Society. Nationally, the

Belize Audebon Society.

US conservationists are concerned about birds which emigrate north. Experts believe Belize may have as many as 500 species, many of which are endangered. Individuals have also played

a big part in conservation projects. Alan Rabinovitch's fanatical and hair-raising research on jaguars and determined lobbying led to the establishment of the Cockscomb basin wildlife reserve where up to 100 are believed to survive. Another notable contributor

has been Dr Robert Horwich who helped establish the somewhat inaptly named Community Baboon Sanctuary devoted to the threatened Black Howler He has also assisted in resettling the primates at

Cockscomb where they were wiped out by yellow fever and Hurricane Hattie. The Programme for Belize, funded with foreign donations, now has 200,000 acres under management in the Rio Bravo arca. Coca Cola Foods donated 92,000 acres having purchased the land from Mr Barry Bowen,

a leading entrepreneur. The

company renounced plans to plant citrus there after German in turn, Mr Bowen, has

cleared only 2,200 acres of his magnificent jungle territory, leaving another 130,000 virgin for the cause and adjoining the Rio Bravo estate. At the last official count Belize had 33 reserves under varying degrees of protection and management totalling 2.2m acres or about a quarter of the country's terri-

"Everyone has been encouraged by the reaction of the public," says Mrs Janet Gibson, who is assisting the fisheries department in drawing up the coastal zone management plan.

Developments on the coastal strip are threatening a vital eco-system including the mangroves with their capacity to contribute to fisheries. They cover an estimated 80 per cent of the shoreline. The fate of the manatee, or sea cow, and other marine creatures, are also at stake. Ambergris is the main tourist centre but it is overpriced and has serious water and sewage problems. A plan to increase its potential is about to be submitted to the

Belize's small population is probably the main reason why it remains an environmental changes, which may result from the arrival of some 40,000 Guatemalan and Salvadorean

They, like the indigenous Mayans (about 11 per cent of the population), practise slashand-burn agriculture while shooting and eating monkeys

and parrots. Devising ways of tapping timber resources without wholesale destruction of forests is also a problem. So, too, is finding the manpower resources to police the

For the time being, therefore, it may be advantageous that the country's tourist infrastructure remains relatively

Richard Johns

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### **MEXICO**

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Free market policies adopted by Mexico now seem certain to produce a sustained period of economic growth, as well as future interest by foreign investors keen to seize the opportunities offered by the soon to be completed NAFTA agreement. In the light of this, on November 19th 1992. The Financial Times plans to publish itsannual Mexico

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### LONDON STOCK EXCHANGE

# Advance checked as optimism cools

By Terry Byland, UK Stock Market Editor

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A HIGHLY erratic session in UK equities yesterday left share prices drifting lower as investors suspected that their enthusiasm for substantial reductions in domestic interest rates might have been overdone. Lukewarm Maastricht support in France, discouraging comments on interest rate prospects from the Bundes-bank president, and the contin-ued slide in sterling all suggested that the two percentage-point cut in UK base rates effectively factored into the UK market last week might have to be postponed.

However, it was only the timing of such interest rate cuts which came under scru-

tiny. Market strategists remained convinced that base rates will come down and that yesterday's fall of 6.9 points to 2,560.1 in the FT-SE Index represented nothing more than mild profit-taking in a stock market which has risen by nearly 10 per cent since the middle of last week and has attracted heavy investment interest from the institutions.

The final picture did little justice to a session which saw the Footsie trade through a near 50 point turnaround. The day started early, with some marketmakers open for telephone trading at 6.30am, when shares moved up quickly as they responded to an optimistic response to the French Maastricht vote and to US buying orders which had been left

Accoun	t Dealing	Dates			
Tirat Dealings: Sep 7	Sep 21	Oct 5			
Option Declaration 5ep 17	Oct 1	Oct 15			
Last Deatings: Sep 18	Oct 2	Oct 16			
Sep 28	Oct 12	Oct 26			
How time dealings may take place from 8.30 am two buginess days earlier.					

with brokers overnight, on instructions to "buy if the French vote yes." The Footsie is not calculated at that hour but dealers estimated the early gain at around 25 points. Then, at 8.30am, the Sead

electronic system was switched on and the Footsie was immediately pulled back by ex dividend quotations on 15 per cent of its components, including such big names as Shell, Glaxo

UK institutions then took a

look at the share prices boosted by their US counterparts and decided not to play, Within a few moments, the early gain had been replaced by a fall of 15.1 on the first official calculation of the Foot-

Five minutes later, the stock index futures market opened and a strong premium on the December contract on the FT-SE Index, which took over leadership only on Friday, reignited some of the buying frenzy seen in equities last

Some London analysts believed that comments by Mr Norman Lamont, the UK chancellor of the exchequer, following the International Monetary

Fund meeting in Washington gave some encouragement for the market's base rate hopes By mid-morning, the Footsie was 44.2 points up.

However, suggestions that rates might be cut during the course of vesterday soon faded. The market topped out and traded less aggressively for the rest of the day. Later, refusal by Dr Schlesinger, the Bundes-bank president, to make any forecast of future interest rate cuts was taken as a signal for

Seaq trading volume reached final total of 953.4m shares, below the 1bn plus figures recorded last Thursday and Friday. Friday's retail business was worth £2.8bn, bringing a total of £6.5bn in retail business since last Tuesday.

FINANCIAL TIMES STOCK INDICES 88.55 (14/9) 104.60 105.21 104.59 105.47 106.34 96.82 97 15 (2/1) 65.0 734 7 43 5 (10/9) (15/2/83) (26/10/71) 2281 0 2737 8 965.9 (25/8) (11/5/32) (23/7/84) FT-SE 100 Shame 2567.0 2483 9 2378.3 2376.0 2573 5 1348.79 1029 56 1248.79 938 62 (11/5) (25/8) (11/5/92) (16/1/91) 1114.23 1144.61 1111.40 ●Ord, Div. Yield ●Earning Yld %(full) ●P/E Ratio(Net)(☆) SEAO Barons 5.00pm 18,968 895.0 21,911 437.3 22,530 GILT EDGED ACTIVITY Sept 18 Sept 17 Indices" Day's High 1926.7 Bargains 5 - Day average 137.7 120 4 \*SE Activity 1974. †Excluding intra-market business and Overseas FT-SE 100, Hourly changes Day's High 2611.2 Day's Low 2561 9 12 pm 1 pm 2 pm 3 pm 4 pm 2563 8 2576 6 2584.9 2577.9 2555 4 FT-SE Eurotrack 200, Hourly changes Day's High 1134.67 Day's Low 1113 28 
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### **Disposals** benefit **Sears**

STORES group Sears advanced 5 to 69p in heavy trading after announcing it was disposing of its loss-making menswear division. Rumours of the sale, the subject of a management buyout, had been doing the rounds in the market and trade press in recent weeks, and preempted an announcement with

Sears' results next week. The disposal of the menswear division, which lost £9m last year and includes the Fosters brand, was largely welcomed by the market. However, analysts also pointed to improved sentiment towards the sector as a whole because of the expected cut in interest rates, and part of the Sears rise was due to that. Turnover was a hefty 13m shares.

### Bryant in demand

Bryant Group, the West Midlands based housebuilder, provided a welcome relief from the recent series of dividend cuts, falling profits and hefty provisions now commonplace in the contracting area of the market.

A near-doubling of profits, from £10.3m to £30.3m, and a same again dividend triggered a sharp rise in the shares, which ran up to 93p before eas-ing back to settle a net 8 ahead at 89p. Turnover in the stock was a good 1.8m shares. Building specialists said the results were at the top end of the mar-

ket range. Mr Mark Hake, building. lyst at Nikko Securities, said that while the market accepted that Bryant was undoubtedly one of the best-run contracting groups in the sector, "much of the good news is already in

### Racal/Chubb

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"Grey market" activity com-menced in "Racal Special-Kx" and "Chubb When Issued", the two stocks that will emerge from the split of Chubb from Racal Electronics when it becomes effective on October 5 subject to shareholder

After the demerger Racal shares will be consolidated on a five-for-one basis. For every five Racal shares held on October 2, shareholders will recieve

### NEW HIGHS AND **LOWS FOR 1992**

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one consolidated Racel share and one Chubb share. Racal Special-Ex traded at

141p early in the session but later slipped to close at 134p, with 878,000 shares changing hands. Chubb When Issued finished around 193p after strong turnover of 2.1m, including a single purchase of 1m shares at 195p. Racal "old" attracted keen support all day, ending a busy session 2% higher at 65%p after 9.6m traded.

Upgrades in Thorn EMI continued, with UBS Phillips & Drew the latest to move its figures. UBS was said to be rec-ommending a switch out of Rank Organisation and into Thorn. Kleinwort Benson was also said to have raised its expectations for Thorn, whose shares jumped 27 to 747p.

In addition, there was speculation that the group's talks with Williams Holdings concerning the sale of Thorn's lighting business had made progress. Rank, which benefited from interest rate cut

Merchant banks ran up strongly, reflecting the remarkable upsurge in institutional activity in the markets last week, but did not hold their best levels.

Among the fund management groups, Templeton Galbraith pu ton 10 to 389p, M & G 23 to 587p and Mercury Asset Management 11 to 304p.

Refuge Assurance's prelimi-nary results and new business figures were given a warm

reception in the market, with the shares closing 20 higher at 670p. Insurance brokers drew further strength from the latest rally by the dollar. Lloyd Thompson, reporting this morning, rose 14 to 207p and Lowndes Lambert put on 16 to

Lasmo surged ahead again, closing 1214 up at 160p on heavy turnover of 5.4m. US and nestic institutions remained focused on the benefits to Lasmo of the continued steep decline in sterling against the

responding to vague hints that the group may yet attract the attentions of a predator, gained 41/4 at 219p on 19m traded. British Gas was barely changed at 235p with 16m shares changing hands.

Utilities, widely viewed by the market as defensive stocks and immune to currency shifts, were roughly handled.

Strong two-way business was seen in British Steel, with UK investors taking profits after last week's good performance but demand from US buyers once again a feature. Turnover expanded to 20m as the shares added 3% at 67p. On its first day as a non

FT-SE constituent, British Aerospace bounced 7 to 196p on speculation that a deal with Taiwan Aerospace concerning BAe's regional aircraft division would be announced shortly. Talk, however, that the company will reveal big provisions when it reports interim figures



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**Equity Shares Traded** Turriover by volume (million) Excluding: Intra-market business & Overseas turnover



tomorrow continued to circu-

Investors were still taking a poor view of Vickers ahead of Thursday's figures and the shares surrendered a further 3 to 85p. Vague bid talk was heard in Avon Rubber, finally 32 stronger at 355p. Lucas industries moved forward 7 to 101p in brisk trade of 9.8m shares.

Among transports, P&O was a good market and volume reached 3.4m with the shares

closing at 361p ex-dividend. News that the US Food and News that the US Food and
Drug Administration had
approved its Suprane drug
helped lift BOC, the shares
climbing 14 to 684p. Hickson
International was knocked in
late trading following a fire at
a plant in Yorkshire. The
shares dropped 11 to 183p.

There were further good

Administration
Ad

There were further good gains across the board in the contracting and building materials areas.

Tarmac, scheduled to report interims today, finished unchanged at 70p ahead of an expected lapse into losses of up to £20m, plus a deep cut in the dividend. Barratt Develop-ments, where many analysts are looking for a return to prof-itability when it publishes preliminary numbers tomorrow, moved up 6 to 50p.

A large line of stock, said to be held by Swiss Bank Corporation, unsettled Cadbury Schweppes shares, which retreated 15 to 464p xd.

Tesco lost ground following adverse press comment ahead of its results, due today. Analysts expect to downgrade the supermarket group following tough trading conditions. The shares later recovered to close steady at 225p.

MARKET REPORTERS: Joel Kibazo, Steve Thompso Christopher Price.

Ciber market statistics,

TRADING VOLUME IN MAJOR STOCKS

### **EQUITY FUTURES AND OPTIONS TRADING**

STRONG demand for stock index futures early in the secsion tailed off at mid-morning, leaving the contract to move erratically for the rest of the day, writes Joel Kibazo.

The December contract on the FT-SE was in demand from the moment it opened at 2,620, with Salomon, the US securities house, said to have been the main buyer, sending the contract sharply forward.

The buying interest, how-

ever, tailed off by mid-morning, leaving December to drift lower over the next few hours. By lunchtime the contract had

to be the low of the day. Renewed buying shortly after led to a squeeze which helped curtail some of the earlier losses, but this only respite. A dull Wall Street, poor trading in the fixed interest markets and profit-taking

all combined to send December into retreat.

December closed at 2,607. around its fair value estimate to cash of about 45. Turnover fell to a modest 13,200.

Traded options remained hosy though total volume, at 44,058 lots, was down from 73,698. Some 19,998 contracts were dealt in the FT-SE 100 option, while Tesco was the day's busiest stock option.

### FT-ACTUARIES SHARE INDICES

<sup>6</sup> The Financial Times Ltd 1992. Compiled by the Financial Times Ltd. in confunction with the institute of Actuaries and the Faculty of Actuaries

	SQUITY GROUPS	Monday September 21 1992					Fri Sep 18	Sep 17	Wed Sep 16	Year ago (approx)	
	A SUB-SECTIONS Figures in parentheses show number of stocks per section	lodex Mo.	Day's Change	Est. Exmings Yield% (Mar.)	Gross Div. Yield% (Act at (25%)	Est. P/E RaUM (Met)	rd edj. 1992 to date	lindox Mb.	Index Mij.	Index No.	Index No.
) -	1 CAPITAL GOODS (175)	769.63	+1.1	7.57	5.77	17.04	26.19	761 59	731.78	686.07	847.39
1	2 Building Materials (23)	756.10	126	6.92	7.27	20.07	30.02	737.26	704.57	643.33	
1.	3 Contracting, Construction (27)	597.15	43.9	₹.25	8.96	78.52	29.27	574.52	552.31		1165.16
1.	4 Electricals (9)	2146.34	+1.4	7.83	7.01	16.89	85.80	2116.89			2618.17
Ι.	5 Electronics (27)	1999.29	يا+	8.08 11.49	4.32	15.44	47.93	1973 07 307.72	1916.59 297 92	279 43	1769.63 374.19
1	6 Engineering-Aerospace (6)	113.02	+1.9		5.35	11.04	13.53	465.54		413.55	
١.	7 Engineering-General (43)	100.02	+0.2	8.68	6.77	14.71 27.04	7.52	312.45	299.45	272.16	
١.	8 Metals and Metal Forming (7)	323.15	+3.4	8.22	7.29	15.99	14.69	312.43	302.36	278 27	162.55
Ι,	9 Motors (14) O Other Industrial Materials (19)	254.72	-0.4	7.15	4.75	16.89	57.00	1761.94			
	10 CONSUMER GROUP (191)	1410.20		7 15	3.60	17.34	37.79	1610.03	1545.88		
1 3	Brewers and Distillers (25)	1010.33	+0.6	8.29	3.66	14.54	41.39	1997.34	1942.47	1107.73	
	5 Food Manufacturing (19)	117416	-1.0	9.13	4.50	13.55	28 04	1186.11			
1 3	6 Food Retaling (18)	3617.45	+0.6	9.35	3.49	13.92	48.07	2601.38			
	7 Health and Household (25)	4340 90	-0.8	5.10	7.05	22.73	68.85	4377 53	4226 85		3697.35
	19 Hotels and Leisure (18)	TINS 37	+1.1	7.37	6.44	17.25	38.53	1052.09	969 46		1338.63
	30 Media (26)	7590 71	+0.7	6.21	3.33	20.11	32.89	1569.59		1447.58	
	Packaging, Paper & Printing (17)	737.60	+3.1	7.07	431	17.61	22.00	696.23	667.64	633.17	767.52
	34 Stores (34)	1017 RO	-0.3	6.96	3.68	19.18	10.84	1020.90	965.24	928 23	906.52
1 7	5 Tavilias (0)	660 32	+1.7	7.14	4.64	17.63	16.42	649.22		584.33	£31.91
۱ ۽	35 Textiles (9)	1269.91		9.85	5.35	12.71	39.94	1269.25			1379.46
	II Rucinect Services (17)	1346 95	+1.2	6.66	3.89	18.42	23.67	1330.34		1209.81	
1 2	Chamlesis (22)	11 200 74	+1.6	7.07	5.22	17.56	ML13	1367.05		1276.97	
	13 Conglomerates (10) 14 Transport (14) 15 Electricity (16)	1298.32	-0.4	W. 40	8.47	14.38	38.59	1303.96	1257 97	1174.58	1522.64
1 2	A Teansport (14)	2438.91	+0.3	B.24	4.85	14.93	74.86		2331.31	2204.91	2351.76
1 4	S Flectricity (16)	1347.77	-1.5	15.43	5,44	8.35	55.01	1368.27	1354.54	1362.01	1273.16
1	6 Telephone Networks(4)	1443.04	+1.0	10.47	4.58	12.44	46.15	1428 78	1384.33	1376 72	1546.65
1 4	7 Water(LI)	2731.81	-2.1	16.40	6.33	6.75	86.85	2789.02	2770 62	2822.89	2456.52
4	18 Miscellaneous (23)	2125 95	-0.6	6.23	4 75	20.14	55.15	2143.55	2079.35	1996,72	1845.98
1 7	19 INDUSTRIAL GROUP (483)	1291.28	10.2	8.09	4.54	15,47	33.98	1288.57	1242.32	1195.79	1292 76
	1 01/ & Gas (17)	1988.88	+0.1	6.79	6.53	19.32			1959 47	1891.57	
-	59 500 SHARE INDEX (580)		10.2	7.16	4.74	15.79	37.99	Ĭ	1309 48	1260.81	1386.16
	14 200 SHAKE INDEX (200)	1301.78		4774					2277.4		
	THANCIAL SHOUP (83)	726.42	-0.5		6.07		29.00	729 72	706.53	654 62	826 97
	2 Banks (9) •		-1.2 -1.6	5.21	5 57	28.79	34.45	1010 WI 1519.93	989.32	894.04	949.72
	5 Insurance (Life) (6)	1477.02				=	66.22	489.62		1380.20	
	6 Insurance (Composite) (7)	490,34	+1.4	10.44	6.06	12.57	16.37 39.90	660.77	480.10 641.91	447.89 591.95	638.43
1 2	17 Insurance (Brokers) (10)	450 55	+3.2	10.44	4.93	12.54	13 08	436.42	414.56	409.27	477 74
1 5	68 Merchant Banks (7)	510.39	-1.0	11.07	B.72	11.99	22.28	515.70	496.46	464.71	967.11
] \$	70 Other Financial (14)	237.24	+2.1	1.42	6 94	15.60	7.81	232.33	225.90	217.71	269.36
{ -{	1 Investment Trusts (70)	2125 47	+1.2	9.72	3.95	-	26.39	1122.71	1100.50	1048.92	
1 -	1 Investment 1709S (70)	1001 01		-							
1 _9	99 ALL-SHARE INDEX (653)	1206.06	+0.1		4.89	-	35.34		1164.%	1112.60	1250.68
-		todex iro.	Day's Change	Day's High (a)	Day's . Low (b)	Sep 18	Sep 17	<b>3</b> 16	5ep 15	Sep 14	Year ago
-	FT-SE 100 SHARE INDEX	2560.1	-6.9	2611.2	2553.9	2567 0	2483.9	2378.3	2370.0	2422.1	

FIX	ED I	NTE	REST	r		AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 21	Fri Sep 18	Year ago Lappres
PARCE IMPLÉES	Mon Sep 21	Day's change	Fri Sep 18	Accrued Interest	nd adj. 1992 to date		British Caverament Low 5 years Coupons 15 years	8.26 8.78 8.94	8.25 8.64 8.77	0.5 9.3 9.3
British Government 1 Up to 5 years (22) 2 5-15 years (25) 3 Over 15 years (8) 4 Irredemables (6) 5 All stocks (61)	124.02 137.37 144.79 164.94	-0.31 -1.44 -2.43	123.56 137.93 146.91 169.05	1.56 1.06 3.04	10.51 9.97 8.83	56789	Mediam   5 years   15 years   16%-10%   20 years   16%-10%   5 years   16%-10%   16%	8.90 9.26 9.28	9.02 9.10 9.00 9.32 9.37 9.37 9.08	9.6 9.4 9.8 9.5 9.4
Index-United  Up to 5 years (2)  Ver 5 years (10)  Ali stocks (12)	173.14 148.00	+1.18	171.11 147.86 149.89	0.35 0.69	3.25 3.64	12 13 14	Index-United Inflation rate 5% Up to Syrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Over 5 yrs Over 5 yrs Dets & 5 xfairs	4.02 4.56 3.21 4.37	4.37 4.57 3.56 4.37	3.9 4.2 3.4 4.0
9 (14) 204 (42)	118.06	-0.76	119.32	1.96			Leans 15 years	10.49 10.49	10.47 10.37	10.6

#\*Decalog index 2551.9; 9 am 2590.1; 10 am 2601.7; 11 am 2593.5; Noon 2583.8; 1 pm 2576.6; 2 pm 2584.9; 2 30 pm 2584.3; 3 pm 2577.9;
4.10 pm 2559.2; (a) 10.15am (b) 8.30am i Flat yield. Highs and lows record, base dates, solues and constituent chaoges are published in Saturday Issues. A list of constituents is available from the Publishers, The Fleancial Times, Number One, Southwark Bridge, London SE1.9HL. The FT-ACTUARIES STRARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1.9HL. © The HSBC dividend is not subject to Advance Corporation Tax at 25%.

### LONDON SHARE SERVICE BRITISH FUNDS BRITISH FUNDS - Cont. BRITISH FUNDS - Cont 2 - high low let | Red | Red | Consequent 10 to pt 1991 | 1992 | 1992 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | 1994 | | 10.54 | 9.50 | 10.54 | 9.50 | 10.54 | 9.50 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.54 | 9.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | 10.55 | | 100c 19934 | 180 to 19834 | 180 to 19844 | 180 to Trees. 10pg Ln. 1994##... Exch 1212 pc 1994..... 104 pc 1995...... Traps 124 pc 1995::.... | 15 Lpc 1996st | 1181 | | Exch 13 Lpc 1996st | 1128 | | Conversion 10pc 1998 | 109 Lpc 1997 | | Trees 15 Lpc 1997 | 1986 Lpc 1997 | | Trees 5 Lpc 19974t | 99 [8 Aircean Day 1114 2010... 1902... 1903. | Ten 20% 9.41 25% 1.39 59 5.73 29/1 6.30 24/1 0.24 24/1 0.50 NO FP.....NO POSITION

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By: The Chase Manhattan Bank, N.A. London, Agest Bank September 22, 1992



CREDIT LYONNAIS USD 500,000,000.-Undated Subordinated Variable Rate Notes Notebolders are berehy informed that the rate for the fifth period of interest

has been fixed

at 4,0375% (3,1875 + 0,85) The coupon N°5 will be payabl at the price of USD 102,06 on December 21st, 1992 representing 91 days of interest covering the period as from September 21 st, 1992 to December 20th, 1992 included

The agent Bank and the Principal Paying agent a CREDIT LYONNAIS

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36 LONDON SHARE SERVICE	FINANCIAL TIMES TUESDAY SEPTEMBER 22 1992
AMERICANS    Americans   Ameri	1992   Mili   Vid   high   low Caylin   Gi   Pic   Firethly Euro Vals   Se   High   Se   Se   Se   Se   Se   Se   Se   S
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## 1987   1987	128   101   5.0   105.0   39.2   St. Andrew   72   72.4   64   5.2   20.1   14.9   15.5   5.5   5.2   5.5   15.6   5.5   5.5   15.6   5.5   5.5   15.6   5.5   5.5   15.6   5.5   5.5   15.6   5.5   5.5   15.6   5.5

حكذا حن النَّصِل

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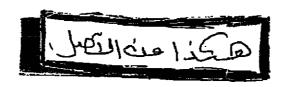
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### FT MANAGED FUNDS SERVICE \* Current Unit Trust prices are

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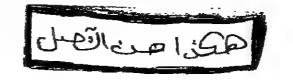
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# FT MANAGED FUNDS SERVICE Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128. ARbany Life Assurance Ca Ltd 3 Baries Lave, Potters Bar Rife [Al Life Pupils But Bibs Chip Fe Rental Environme Fe Acctal Environme Fe Envi | 1-550-5000 | Semiabled Florada | Semiabled F 328 01 49 21 284 61 390 3 353 51 230 01 137 91 205 91 248 1 268 1 189 1 1308 0 313 3 229.8 Edinburgh Fund Mingrs PLC 071-929 1111 228.41 +4.30/ 4.01 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 21 102 7 102 17 ---Siandard Chartered Equitor (1200)F 5900 Broad Street, E(28) 105 D71-280-6521 Mayof Letropt Acr. 3 189.0 191.0 196.7 ... 518 06 Income ... 3 175.3 177.4 196.7 ... 5 18 Fereign & Colonial Unit Management Ltd Salamed Act Ser 15. 145 4 151 4 +1.91 4.09 Balanced in Sep 15. 175 4 151.4 +1.91 4.09 Man Pierreite Sep is 322 6 La mains Life 100 Tentries St. Bristol RS.1 &Ea. Life Tentries LS.1 &Ea. L 0793514514 301 5 40.7 1110.6 40.7 1010.6 40.7 1007.5 40.1 207.5 40.6 507.5 40.6 507.1 40.1 400.4 40.1 400.4 40.1 276.8 45.0 276.8 45.0 276.8 45.0 276.8 45.0 692 b 325 1 563 9 451 9 451 9 165 1 168 4 161 3 149 2 160 5 168 8 129 7 124 3 d. deltaskiidaskoodelas 8 : 6600 American Maria Ant. 252 a 252 a 450 a 466 | Control | Cont 538 8 \$285 5 500 3 500 2 158 2 159 4 144 5 122 2 128 7 119 4 125 8 119 4 127 1 131 9 106 9 112 4 Double Str. A. 137.3 193.5 19.5 4 | Double Str. A. 137.5 193 MPL. Permitten Util Militar Court Dorking Surrey Med. Permitten Util Militar Court Dorking Surrey Manuscon Fuel Militar Court Militar Do Accourt Militar Milit SALARAGAL SE : LESSO SALES LAS SALES | Section | United | Section | Secti In the Assertance List Surgerist Hose, Partsprowth Its Seriah. Its Seriah Its Seriah. Its Seriah Its Seriah. Its Seriah Its Seri Interprite House, Personnella (Interprite House, Interprite Ho +5 9 +6.4 +10.1 +5.6 +1.7 +6.1 +6.1 Pottanter ta Table

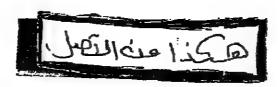
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# FT MANAGED FUNDS SERVICE \* Current Unit Trust prices are available from FT Citylune. For further details call ( 071 ) 925 2128 Bld Offer + nr Yield Price Price - Gross 聖…蔡 號遊階 基品品数字数 | Cartifuscicial Union Lucrochange SA - Cartifuscicial Union Florida (Cartifuscicial Union Flori Frienc inc low Co List MAV Sep 17 U. d so reflect quercies of SK World US\$10 27 PO Sax S.7 Athal St Doppler by M. 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### **MARKETS** CURRENCIES, MONEY AND CAPITAL

to allow it to rise above ICL.05 to the UK currency, because

more than 40 per cent of Irish trade is with the UK. Last

night the punt had strength-

Both sterling and the Italian lira were victims of heavy sell-

ing following the uncertain

French referendum result and

the Bank of Italy confirmed

that it would not re-enter the

ERM as originally planned. Sterling ended in London 7½

pfennigs down from Friday's

close at DM2.5375, an historic

low against the D-Mark and

an effective 14 per cent devaluation from the old ERM central rate. According to the IDEA research group, the

pound could go as low as DM2.33 before the end of the

The Italian lira finished at

L845.2 per D-Mark, after a pre-

ened to I£1.03.

### **FOREIGN EXCHANGES**

### Franc remains under pressure

the franc's future remains uncertain. Mr Jim O'Neill,

head of research at Swiss Bank Corp in London, said there is still a 25 per cent chance that

the pressure on the franc could

turn into a full-blown crisis.

Mr Mike Gallagher, director of

economic research at the IDEA

group, said pressures are likely to intensify until German

interest rates are cut. Last

THE Bank of France intervened to support the franc on the foreign exchanges for the terday, but the currency remained under pressure in Europe's exchange rate mechanism, writes James Blitz.

France's decision to vote Yes to European monetary union, even though it was by the slimmest of majorities, probably saved the ERM from an instant realignment. The strains in the system have not disappeared. however, and the French franc was one of a number of currencles which the market tested yesterday, in spite of a big math of the referendum result.

The franc was supported by heavy intervention from the Bank of France, when the currency was a centime above its ERM floor. Mr Helmut Schlesinger, the Bundesbank president, said the franc was a healthy and stable currency, in contrast to the ambiguous comments he reputedly made about sterling last week. The fundamental strength of the French economy, including its strong trade balance, also makes the currency more resis-

However, analysta believe

that, in the current climate,								
Sep.21	Sep. 21 Clase Previous Class							
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Forward previous and discounts apply to the US dollar								

	Sep 21	Provious				
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Sep 21.	Bank of England Index	litergas Grananty Change III				

CURRENCY MOVEMENTS					
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**CURRENCY RATES** 

4-11-11-11-11-1						
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Ser 21	CURRE	NCIES
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\$.Ai (Cm) \$.Ai (Fn) ? U.A.E	4 8505 · 4 8695 6 8200 · 6 9590 43.30 · 43.55 6,2415 · 6.4655	2 8505 · 2 8525 4 0000 · 4.0815 25.35 · 25.55 3 6715 · 3.6735

\*Floating rate. Iran Official rate £119 55 \$63 30

MONEY MARKETS

RATES IN the sterling cash market softened considerably

yesterday, as dealers wondered

whether the Bundesbank's support of the French franc in the European exchange rate mech-

Cash rates softer impunity would be a fall in the Bundesbank's Lombard rate. This is still deemed unlikely in the near term, and yesterday the Bundesbank cancelled this week's tender for securities and repurchase funds. effectively draining DM20bn

from the market. This move

helped to sterilise the massive

intervention by the Bundesbank on the foreign

exchanges recently to support

However, overt support for the French franc from Mr

Helmut Schlesinger, the

Bundesbank president, suggests that the Germans do

not want to see the EMS fall apart. Given the continuing pressures on the ERM, some

dealers suspected yesterday that the Bundesbank could be

forced to cut rates to prop up

the remaining currencies.

The Bank of England was

quick to confirm that there would be no interest rate cut

yesterday. After forecasting an

2800m shortage, the Bank calmed the market by buying

£200m in a repurchase agreement (repo) at 9% per cent

at the established rate of 918

per cent. The Bank then purchased £126m of Band 1

bank bills at 9% per cent and

The forecast was revised to

six-nine months 812 per cent May 6, 1992 . Deposits w

£950m and the Bank bought £116m of Band I bank bills and

provided £330m late assistance.

£200m in a repo.

the lira and dollar.

anism might force the German central bank to cut short-term With the UK out of the ERM, the result of the French referendum on the Maastricht treaty had little impact on the sterling money market. Indeed, one dealer commented yester-day that a No vote might have made the market more bullish about the prospect of a UK

UK clearing bank base lending rate 10 per cent from September 17, 1992

base rate cut. That result would have split the ERM apart, and other central banks could have reduced lending

Although sterling is floating freely, the UK authorities have not yet outlined what their policy on the currency is. The market's assumption is that base rates will soon be lowered by at least 1/2 percentage point, and 3-month money ended yesterday at 9% per cent on the offered side, after a Friday close of 10 % per cent.

One factor which might allow the UK to cut rates with

1 -

night the franc closed at FFr3.4150 to the D-Mark, 1% centimes above its ERM floor against the German unit. Even if the franc holds in the ERM, several other European currencies are under pressure.
According to Mr O'Neill, the
next most vulnerable is the
frish punt, which closed in London at DM2.6210, just 1/2

More worrying for the Irish authorities is the punt's higher rate against the devalued Brit-	,
ish pound. Analysts said the	

ish pound. A	th pound. Analysts said the vious close of L836.1.								
EMS EUROPEAN CURRENCY UNIT RATES									
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Sep 21	(Pay's spread	Gas	Gae month	% ₽±	[heee	94
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i spett	17510 - 1.7675 1.2200 - 1.2310	1.7515 - 1.7525 1.2500 - 1.2310	2.00-1.40cpm 0.14-0.17-db	120	0.57-0.65di4	17.4
der ands	16645 16670	1.640 - 1 5700	0.78-0.83ells	-5.79	2.43-25346	-5.9
igitali,	30.45 - 10.90	70.60 - 30.70	15.00-16 00cd/s	-6 07	46.00-49 0045	-62
moark	5.7400 - 5.8050	5,7750 - 5,7800	1 10-1 Illianum	-7.37	10.00-11 25(is	43
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# FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GR.T FUTURES OFTHINS ESQ. 800 640s of 188%		LIFFE US \$100,000	TREASUR 64ths of 1	1 80%0 F	utakes (	PTIONS	LIFFE 80 94250,00	NO FUTU O points o	RES OPTE	INS
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CAC-40 FUTURES (MATER) Shed below

OFTION ON LONG-TERM FRENCH BOND GLATTF.

BEU BOHD (MATIF)

Adam & Company Allied Trast Bank .

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B & C Merchant Bank
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Banc of Fredard

Bank of Scotland

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THE AS YEST THE HETTORIC FRENCH MINIS MAKEN'T POTTIETS Sett price 107 % 108.34 108.66

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BASE LENDING RATES

Exeter Bank Limited ..... Financial & Gen. Bank ...

Stabert Flessing & Co. ...

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**PARIS** 

9% NOTIONAL BRITISH GILT * £50,600 32mb of 198%	U.S. 5200
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SIGO,000 32nds of 100%	Time See Time
Close High Law Prev Sep 106-17 106-21 106-17 106-24 Dec 105-05 105-16 105-04 105-05 Estimated volume 367 (275) Previous cay's open law 1942 (1903)	Just Sep Occ U.S. Siles
6% MITIBNAL GERMAN GOVT. BOND P PM250,080 1900s of 188%	Dec.
One 90.66 90.68 90.41 91.09 Mar 90.74 90.82 90.76 91.16	760 100 1437
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Well John, What Do We Do Now? It's in your hands Norman, I'll back you all the way Thanks John, that's a sterling remark. Wake me up when it's all over!

For an alternative investment programme may we suggest

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Discretionary account managers in derivative products for profess currencies, interest rates, stock indices, metals.

### MONEY MARKET

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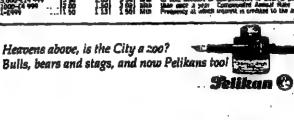
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# Money Market

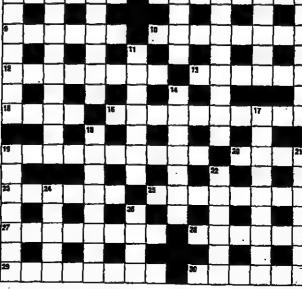




### CROSSWORD

**JOTTER PAD** 

No.7,957 Set by ALAUN



ACROSS

1 Being forceful, go off about public transport (6)
4 Arrived, but not flat out (6,2)
9 Shattering the peace and quiet by the water (6)
10 A complaint from the mess (8)
12 Is the boss, we're told — but not at home (8)
13 There's a grave at the back (6)
15 He's the ass who lost his head

7 Up, for instance, to performing the odd trick (5)
17 The fish outside the net, wriggling, is the mate (7)
18 Adash all long to have (7)
19 Wears one down so one spills the beans (5,2)
17 Mm! It's nice and hot! (9)
18 Altogether I count ten flying overhead (8)
19 Overhaul part of one's tennis game (7)

game (7)
21 They knock to gain admission for treatment (7)
22 A ministerial building (6)

(4) 16 lt comes before a fall (4,6) 19 Keep a firm grip (10) 20 Take issue over (4) 23 Wait for me to get back into 24 Gathered outside to stand for the anthem (5)
26 As soon as the sole gets caught in it (4)

the shower (6)
25 What the orchids need is water, you put in (8)
27 Finally, then, I grind to a halt (2,3,3) 28 Violation of the law and a

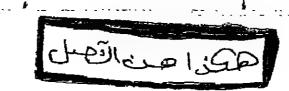
war it's associated with (6)
29 Means to get in (5.3)
30 Is one right to enter your age? DOWN

 Fix up and put back into the warehouse (7)
 He's rarely seen without his glasses (9) 3 Merely dabble in, but spend a lot of money on? (6)
5 Forget the road goes into, coming back (4) 6 Finds, when one goes to the window (5,3)

Solution to Puzzle No.7,856

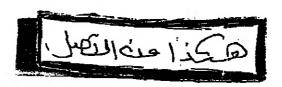
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Solution to Puzzle No.7,956



JOYTERA

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	FINANCIAL TIM	ES TUESDAY SEPTE	MBER 22 1992			$\Phi\Phi_{43}$
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	### September 21 Frs. + et - ### AG Group	Eanx Cle Geni 2,179 -51 Ecco 390.10 -6.90 Elf Aquitaine 361.50 -15 Elf Aquitaine Carts 249 -15 Elf Sanot 1133 -7 Erlanta B-Say 615	industrie Werke 249 -4	KLM	SWITZERLAND September 21 Frs. + or - Adia (Ptg Cts) 27 -1 Adia (bt) (6r) 228 -7	3000 Ato G 1 s \$11 1 11 11 11 11 11 11 11 11 11 11 11
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	Colmyt 4,600 -25 Driftsize Frs Llon 1,600 -40 Electrobel 4,915 +25 Electrobel AFV1 4,790 +40 Electrofion ACT 2,400	Early Dishley 81.60 -1.90 Fin Polict 433 -7 Finestel 102 Fronc Lyounaise 540 From C et Aur 3.265 -35 GTM-Entrepose 375 Gal. Lafayette 1.941 -11 Gammon (Soc N) 450 Geophysique 680 -14 Hachette 110 -4.30 Havas 454.80 -37.80	MAIN Pref	Robert   91.90   40.50   Rodamo   43.60   -0.20   Rodamo   43.60   -0.20   Rollinco   91.50   40.30   Rorento   75.20   -0.60   Rose Walming R   24   Royal Dutch   148.60aH   60   Rose Walming R   29.80   -0.10   Unitered Pto Ress   188 80   -0.70   Val U   88   -0.80   Val Omers De Rs   32.50   -0.10   Val Omers R   80   -0.50   -0.	Ciba Gelgy (Br) 641 +1 Ciba Gelgy (Rr) 624 -3 Ciba Geigy (Rep) 625 -4 Elektrowest (Br) 2,000 -40 Civia (Reg) 1,520 +5 Elvia (Ptg) Ctsl 1,520 +5 Fischer Geo (Br) 973 -7	194800 Bramelea 98 72 79 -16 31000 Generativity 400 465 465 -20 11000 Northgate 53 80 83 83 81 81 81 181 181 181 181 181 181
į.	GBL AFV 1 2.500 425 GIS Group 2.340 +2 Gethern 296 +13 Generale Banque 6.890 -100 Gewart 6.400 -200 Glaverbel 2.750 Inmobel 2.450 -10 Kredichank 4.940 -10 Kredichank 7.4890 -20 Messane 5.500 -10 Messane 5.500 -10 Messane 5.500 -10 Messane 7.500 -	Haves	Philips Korrman	Wattos to Oop Ros 83.50 -0.70	Forte (Br) 1,800 Holdstrank (Br) 495 +1 Holvis Holz (Reg) 410 Jelmoll (Br) 1,240 +10 Jelmoll (Pig Cts) 251 Lands & Ger (Reg) 376 -4	10400 Brunswick \$10 9% 10 +4 700 HarrisSt A \$5% 5½ 5½ -1½ 12800 Phore Rote \$22 ½ 2½ 2½ 5½ 12% 12% 12% 12% 12% 12% 12% 12% 12% 12%
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	7,890	Paris Rescoupte 227 - 6 Pernod Riccarde 452 - 2 Peugeol 577 - 18 Planet 728 - 1 Printeraps (Au) 550 - 2 Prunder 552 - 1 Pradiotectal 414 - 2.50	ITALY	Ratiosal Byc A Free   145   -5     Kwaemer Free   145   -1     Left Hoogh   55   -2     Norsk Data A   2   10     Norsk Data A   2   10     Norsk Hydro   145.50   -3.50     Rosts Buog A Free   61   4     Grida Free   124   43     Saga Pet A Free   70     Saga Pet A Free   70     Saga Pet B Free   69   42     Staggent IM   0.80   -0.10     Storill B   69   -1     Vard   39.50   -2	Sandoz (Sr.) 2,910 Sandoz (Pig Cs) 2,850 Sandoz (Pig Cs) 2,930 -10 Schiadler (Br) 3,230 -20 Schiadler (Br) 500 -10 Sita Reg A 780	2500 Christopenal 5241; 241; 415; 416 1419 1419 1500 Cascades 57 7 7 42 4000 KerrAddle uS171; 1719 171; 419 1519 419 1500 Cascades 57 7 7 42 4000 Cascades 5 7 7 7 42 4000 Cascades 5 7 7 7 42 4000 Cascades 5 87 7 7 7 42 4000 Cascades 5 87 7 7 7 42 4000 Cascades 5 87 7 7 7 7 7 7 42 4000 Cascades 5 87 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7
	September 21   Kr	Peugeot 577 -18 Pinank 328 -1 Printerips (Au) 650 -2 Promodes 552 -13 Radiotacin 41A -2.50 Rhom Penieri Cas 358 -21 Roussel-Ucial 416.30 -6,70 Sluic 5220 -30 Saint Gobale 542 -5 Saint Loeis 1,037 -13 Schreider 518 -23	September 21 Lire + or -  Banca Comm 2,900 -15  Banca Naz Agric 3,999 -1  Banca Larao 3,990 -1  Basto Larao 3,990  Bastogi-I R B S 66  Benetion 13,050 +160	SPAIN September 21 Pts. + or - Alba (Corp Fin) 3,180 -120	Sandoz (Pig Cta)	3100 Coputation 60 50 60 1300 Laurent St. 5174, 1712 -15 35400 Stewart A 584, 81, 84, 84, 84, 84, 84, 84, 84,
•	Den Danske Bank 244 +4 East Actacle 65 -1 ELS Ind B 440 +10 Grast Nordic 275 +5 ISS Inti Serv B 900 +10 Jyske Bank Reg 253 +3 Lanvitzen U B 1,510 +30 IKT A(S 182 +22	Sefines	Bargo (Cartierel 3.360 CIR 1.018 -12 Caffaro Spa	Asiand   1,055   -50	Union Benk (Sr)   769   -4   Union Benk (Sr)   769   -4   Union Benk (Sr)   2,860   Union Winterther (Ptg)   542   +3   Zurich Ios (Sr)   1,920     Zurich Ins (Ptg)   928   +2	INDICES
	#KT A/S 182 42 #KT A/S 182 42 #KO Nord B 1,940 -10 #KO Nord B 1,940 -10 #KT A/S 195 +6 #KT A/S 19	Sale Butprofiles 280 +5 -7 90   Sale (Fin de) 280 +7 90   Sale (Fin de) 280 +7 90   Thorson C5 F 247 90 -2 20   Thorson C5 F 247 90 -2 20   Thorson C5 F 247 90 -16 .10   UPB Locaball 233 -23	Danieli & C	Banesto 2,190 45 CEPSA 2675 475 Carburos Metal 3,495 4175 Cablertas 4,810 -240 Dragados 1,085 -15 Ehrd Agricoles 1,190 -10 Electra Viesso 1,800 425	SOUTH AFRICA September 21 Rand + or - ABSA	NEW YORK   Sop Sep Sep Sep Sep Sep Sep Sep Sep Sep Se
	FIREANS September 21 Miles + er - Amer. 57.50 +0.50	United Immed Fr   367   -2   Valeo   151   +2 20   Valeo   230   -10   Valeo   151   +2 20   +2	Finanz Agrolad	Endess (Br) 3165 -165 Feesa 52 -13 Grupo Dura Feig 780 -10 Hidroet Cantabr 1,700 -45 Iberdrola 650 -35 Koipe 4,000 Magfre 3,560 +50	Angio Am Coai 85 +0.50 Angio Am Corp 91,75 +1.15 Angio Am Gold 170 +6 Angiovaal N 70.50 +0.50 Barlow Rand 50.50 +0.25	Control   Cont
	Enter 54 +0.50 Enso R 15.30 +0.10 Heritamani i Fret 122 +1 KOP 4.25 -0.25 Kymmene 57.50	September 21	Italicement  7,650 - 200   Italicement  2,806 + 35   Utgyl Adriatico	Kolpe	CNA Gallo 22.75 De Beers/Comenary 52.75al +0.37 Deelkraal Gold 5.20 Driefrostein 38.75 +0.50 East Rand Gold 3.25 Elandsrand Gold 11.50 +0.25 Engen 45 +2 First Nat Bank 58	STANDARD AND POOR'S Composite: 422 14 422-93 419-93 419-92 425-27 394-96 (14-97)72 (14
1	Repola (Free	Allianz AG	Pireill & Co 3,420 +5 Pireill Spa 1,138 +5 RAS 14,000 +50 Rinascente (La) 3,740 -25 SASIB 3,400 -50 SIP 1,035 -12 Safia A 4,900 -100 Safia A 4,900 -100 Safia A 4,900 -100 Safia A 4,900 -100	Tabacalera A 3,330 -470 Telefonica 1,090 -20 Tudor 720 +19 Uniton Fenesa 465 -12 Uniton y 6 Fenis 2,650 -20 Uralita 50 -20 Uralita 450 -15	First Nat Bank 58 First Site Dank 154 Genore 11.30 Genore 11.30 Gold Fields SA 60ai +1 Hartcheets 10.75 Highweld Start 9, 70at 1500R	NYSE Composite 231.89 252.39 230.97 231.07 231.07 231.73 217.92 233.73 4.46 (172.73) 1573 th 1589.13 1576 to 1
	FRANCE September 21 Frs. + ar AGF	Server-Hypo	San Paolo	Viscolan 999 -21	Kinros Gold 25 Kloof Gold 279.50 +0.50 Liberty Life SA 45dd Malliold 28 Neckor 15.85 +0.10 O K Bazaers 7 Palabora Ming 70	Column   C
•	Askil Estrey 690 -2 Askil Estrey 690 -2 BiC 800 -11	SHC. & Berger 890   -10   Calonia Konzern 715   -5   Calonia Konzern H 435   -5   Construent H 242.50   +1.50   Continental AC 241   -8	Toro Assicur	September 21   Krener + sr - AGA B Free   270 + 6   Acts A Free   340 - 11   Acts B Free   338 - 12   Assa B Free   548 - 9   Astra B Free   542 - 8   Atlas Copce B   274 + 22   42   42   42   43   41   43   43   43   43   43   43	Premier Gp	Sap 15   Sap 8   Sap 2   year ago (approx.)
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	Cannon Sales	Kohe Steel	Nippon Steel 300 45 Nippon Steel 14,800 +5 Nippon Steel 14,800 +5 Nippon Yakin 450 -8 Nippon Yakin 450 -9 Nippon Yakin 51 -14 Nippon Yakin 171 -14 Nishmans Coert 1,110 +30 Nisan Diesel 300 y	Tokyu Carp 659 -3	Westlield Hdg 4.80 -0.06 Westlield Triss. 2.42 +0.06 Westpac. 3.08 +0.05 Woodside Pet 3.84 -0.01	a.S. Tables in official recoloration. The Direction Control of Management of the highest and lowest recoloration of Management of Management of the highest and lowest resched during the day by sach stock; whereas the accusal day's highst and lowest prices reached during the day by sach stock; whereas the accusal day's highst and lowest prices reached during the day by sach stock; whereas the accusal day's highst and lowest earlies of all nindees are 100 emost: Austral Traded, BEL20, HES Gen., But Doy-100, ISEQ Overall and DAX = 1.000, ISEQ
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	David loc	Kuraray 1,070 -30 Kuraha Chemicai 455 -1 Kurita Water 1,010 -10 Kyocera 3,900 +60 Kyocera 493 +5 Kyotarie 969 -20 Kyosa Heisso 1,029 -20 Kyosa Heisso 2,310 -60	Nitsuko 542 +11  Nitto Beseti 426 +  Nitto Dente 1.140 -30  Nomura Sec 1.620 -10  Northale 910 -10  Odskys Electric Ray 745 +1  Othogoshi-Gord 609 +2  00 Paper 811 -19	Toyola Autori Leon   1,330 +10	China Motor 31.50 China Motor 34.29 Cross Harbor 18.10 +0.10 Datry Farm Inti 10.90 +0.10 Erergo 3.45 +0.13 Great Eagle 3.60 +0.10 Groco 3 +0.05	TOKYO - Most Active Stocks  Monday, September 21, 1992  Stocks Goeing Change Stocks Closing Change Traded Prices on day
	Ettzer Watch 910  Dalect Chemical 916  Dalect Chemical 536 45  Daled Strei 384 60  Daled Strei 384 60  Daled Strei 384 60  Daled Strei 1690 10  Dalet Strei 1690 10  Dalet Strei 1690 10  Dalet Strei 1690 10  Dalet Strei 1690 169  Dalet Strei 1690 1690 1690 1690 1690 1690 1690 1690	Long Terio Credit 921 -9  Maedia Corp	Ofrueura-Genni 845 +30 Otympus	Hallika 401 -37	HSBC	Traded Prices on day   Traded Prices on day
	Daliera House	#iarubani 422   Marudal Food 771 +1     Marul 1200 +30     Marul 1360 -50     Michiga El Iod 1200     Michiga El Iod 1200     Michiga El Wk 1,010 +16     Michiga El Wk 1,010 -30     Michiga Refrig 372 -18	0no Pharm 5,630 0no Pharm 5,630 0noard Kashhana 1,150 +10 0rient Corp 719 +9 0rient Corp 2200 0saka Gas 421 -4 Penta Ocean 780 -b	Yamaha Corp 1,010 Yamaha Motor 765 —9	HK Aircraft	
	False: 3,400 -100 Fully Construction 553 -5 Full Sank 1,810 +30	Mercian Corp 871 -24	Penta Ocean 780 -b Ploneer Elet 3,250 +30 Ploneer Elet 3,250 -5 Resonn 475 +5 Ricoh 640 -5 Royal 1,140 Rydol 450 +1 Rydol 450 +50	Yamalofi Securities 648 +13 Yamanouchi 2480 Yamananouchi 2480 Yamananouchi 2480 Yamananouchi 2480 Yamanan Kogyo 1,000 +10 Yamana Kogyo 1,000 +10 Yamanan Kaking 1,730 +30 Yasuda Fire 729 -25 Yasuda Ya & Big 865 -25 Yasuda Ya & Big 865 -25 Yasuda Ya & Banid 960 Yokolama Rabber 559 -7 Yomiuri Land 960 Yokolama Rabber 910 +29 Yasaa Battery 0 666 -15	Jardine Intl Mtr 8.85 +0.10  Jardine Math 53 +0.50  Jardine Strategic 23.50 +0.10  Kowloon Motor 9.60 +0.10  Mandrein Orlean 6 70	(Excuse us for asking)
	East Gilco	Missans Homes	Satura Barist 1,220 +29 Sandee 535 +5 Sankyo 2,280 -30 Sanivo 1,250 +30 Saniva Banit 1,460 +10 Saniva Shutter 9,38 +10 Saniva Education 420 +15 Sanyo Electric 420 +15 Sanyo Rotuzaka 525 +42 Sanyo Kotuzaka 525 +42 Sanyo Rotusaka 525 +42	2010 Line 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	New World Dev   16.90   40.30   Realty Dev A   17.70   40.10   Realty Dev A   17.70   40.10   17.75   40.75   5haw Bros   6.10   40.10   5hell Eleck Mfg   1.91   40.62   5hell Eleck Mfg   1.91   40.62   5mre Darby   9.95   40.25   5m Hung Kai Lo   3.45   40.03   5m/re Pacific A   36.75   40.50	IS THIS YOUR OWN
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i.	Hamirgu Corp	M*Sichi Rayon 348 M*Sichi Respon 348 M*Sichi Resel 740 -20 M*Sichi Tr4.8k 1,070 +20 M*Sichi Tr4.8k 1,070 +20 M*Sichi Tr4.8k 1,070 +20 M*Sichi Tr4.8k 1,070 +20 M*Sichi Tr4.8k 1,070 +10 M*Sichi Tradition 495 +16 M*Sichi Tradition 495 +16 M*Sichi Tradition 495 +16 M*Sichi M*Sichi Tradition 495 +10 M*Sichi M*Sich	Sebin Railway 2,350 Selvo Transport 1,440 -20 Selvo Food Sys 950 459 Selvo House 1,120 -10 Selsui Chemical 780 +5 Selsui Chemical 780 +6 Selsui Chemical 1,160 -40 Selsui Chemical 1,160 -40 Selsui Corp 430 -180 Sharp 1,000 Sharp 1,000 Shimizo Corp 1,440 -50 Shimizo Corp 1,440 -50 Shimizo Corp 1,470 -50 Shimizo Corp 1,470 -50 Shimizo Corp 1,470 +22	AWA 1.14 -0.03 Aber toyle 4.45 +0.05 Anstor 748ar 40.08 Anstor 4.45 +0.05 Anstor 1.52 +0.04 Arstolts 7.73 +0.08 Arstolts 1.52 +0.04 ANZ Bank 3.05 +0.07 ANSI Gas Light 2.63 -0.04 Aust Gas Light 2.63 -0.04 BTR Nylex 2.66 -0.04 Borg ville Copper 0.42 +0.03 Borg ville Copper 0.42 +0.03 Brambles tods 1.6 +0.10	MALAYSIA September 21. MYR + er - Boustead 2.55 Hoss Leavy Gradit 3.98 +40.64	COPY OF THE
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	September   Sept	Mitsuoni Elec 904 426 Mitsuoni Elec 470 5 Mitsuo Sportina 470 45 Mochida Pharm 3290 1.10 Mortiaga Milli 721 10 Mort Selti 1,690 10 Mirata Missoniaci 2,010 30	Showa Elec Wire 52 -4 Showa Sangyo 594 -20 Showa Sangyo 594 -20 Saylarh 1210 -30 Saylarh 745 -1 Sony 4200 -16 Samitono Bakelte 406 -60 Samitono Bakelte 406 -60	Caltes Aust 219 Chiltern Cap	StringAppare   September 21   S\$   + ar -	Or do you rely on seeing someone elses? The FT is read by four times as many senior European businessmen and women as any other international newspaper.* Make
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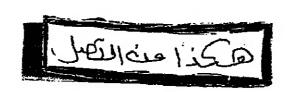
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# NYSE COMPOSITE PRICES NASDAO NATIONAL MARKET I TO SECONDO STEE PRICES NASDAO NATIONAL MARKET NASDAO NATIONAL MARKET I TO SECONDO STEE PRICES NASDAO NATIONAL MARKET I TO SECONDO STEE PRICES NASDAO NATIONAL MARKET I TO SECONDO STEE PRICES NASDAO NATIONAL MARKET NASDAO NATI NASDAQ NATIONAL MARKET 4 pm close September 21 NYSE COMPOSITE PRICES 50% 251. VF Corp 1 08 2.2 16 808 u50% 251% 21% Velevo En 9.44 17 508 25% 11% 75 velevo En 200 22.9 5 137 8% 7% 45 Velevo NGs 0 0.0 23.5 18 4% 2 15 Velevo Hot Corp 1 0 0.0 3.6 72 215 16% 19% 12% Velevo Dorn 0.80 3.6 72 215 16% C Tec Cate like Control and Co 49 % 25 % 5 % 4 % 0.05 18 % **AMEX COMPOSITE PRICES** 94 Ste 95 Augst 100 Augst 15% 15% 2% 2% 1% 1% 8% 9% 5 236 412 4 15 516 9 319 512 12 130 4716 0 32 19 0 50 52 36 112 14% 14% 14% 14% 4 60 5 d5 5 19 617 12% 12% 12% 55 2100 15 15 15 15 0 15 0 15 2½ 2½ 2½ 2½ 0 1111 ½ ½ ½ ½ 15 0 1111 ½ ½ ½ 15 15 23 6½ 6½ 6½ 6½ 15½ 15½ 12½ 12½ 12½ 0.00 9 31 21½ 21½ 21½ 21½ 15 278 12% 12% 12% 12% 0 11. 14. 14. 14. 15. 0.23 8 5.174 114 11% 0.01 6 2749 7% 7 7% 9 81 7% 7 7% 40 289 4 3% 4 **ALUMINIUM** | Section | Sect The FT proposes to publish this survey on October 28 1992. from its printing centres in Tokyo, New York, Frankfurt, Roubaix and It will be read by senior INFLIGHT INFORMATION FROM businessmen and govern-ment officials in 160 countries worldwide. If you want to reach this BERLIN TO BARCELONA. important please call Anthony G. Hayes Tel: 021-454 0922 Fax: 021-455 0869 Because the leading airlines fly to the business centres of the world, they carry George House, George Road, Edgbaston,

# Dow eases on doubts over **EC** prospects

### Wall Street

SHARE prices eased across the board in light trading yesterday as investors struggled to digest the implications for US markets of the French referendum on the Maastricht agree-ment, writes Patrick Harverson

By I pm the Dow Jones Industrial Average was down 14.59 at 3,312.46. The more broadly based Standard & Poor's 500 was also lower at midsession, down 1.53 at 421.40, while the Amex composite gave up 2.57 at 382.93 and the Nasdaq composite 1.62 at 587.50. Turnover on the NYSE was 91m shares by 1 pm.

The narrow margin in the French vote on Maastricht eased some tensions on world financial markets but, in the eyes of US investors, the result failed to clear up the doubts about long-term viability, either of the treaty or of the whole question of closer European economic integration. Analysts said that the key was the future direction of German interest rates.

Equity market sentiment was also undermined by the dollar's weakness, and losses on domestic bond markets. The US currency slid more than one and a half pfennigs to DM1.4810 as international investors bought D-Marks following the French vote, while fears that lower interest rates in Europe might rekindle global inflationary pressures left US Treasury prices lower. The benchmark 30-year bond was down half a point in early afternoon trading.

Those same fears of inflation have led some analysts to sug gest that investors might shift out of interest rate sensitive sectors of the stock market and into cyclical sectors, such as energy and technology stocks. to protect against the long-term threat of higher prices and interest worldwide.

Among the busiest stocks

# Bourses sell on outcome of Maastricht vote

writes Our Markets Staff. Hav-ing risen last week on the prosof a French Yes vote on pect of a French res vote on the Maastricht treaty, they and the FT-SE Eurotrack 100

index fell by 1.75 per cent.
The French franc came under pressure again, shaking the Paris bourse as French and Spanish ministers pushed for another cut in German interest rates and the Bundesbank con-

Mr Andrew Bell, director of European strategy at BZW, saw a difficult choice in prospect for the Franco-German alliance at the hard core of the ERM: "If the future of the Franc against the D-Mark becomes a matter of exploiting tensions within the ERM rather than a rational valuation of one currency against another," he said, "it could become a choice between theF-

ranc parity, and a DM easing. In the meantime, he said, dollar stocks and interest ratesensitive situations continued to appeal, but prospects were looking difficult for cyclicals

PARIS retreated 3 per cent

on the view that the wafer-thin majority in the Maastricht vote come. Some analysts commented that with the franc coming under intense pressure during the day there may well have to be an increase in interest rates as the government acts to support the currency. The CAC-40 index lost 56.58 to 1,826.06 in turnover of FFr2.4bn

was further Activity depressed by disappointing corporate results. Canal Plus was one of the day's biggest losers. shedding 16.4 per cent following a profits warning. The shares were briefly suspended after opening limit down, and closed down FFr214 at FFr1090.00. Havas, which holds a 25 per cent stake in the subscription television group, declined FFr37.80 or 7.6 per cent to FFr454.80.

A profits warning from Club Mediterrance left the shares down FFr30.80, or 7.3 per cent at FFr392.20. Financials weakened with Société Générale down FFr21 to FFr521 and Paribas off FFr12.50 at FFr346.00. FRANKFURT lost less than 1 per cent during the session, the Sep 17 1058.13 Sep 15 1051.69

FT-SE Eurotrack 100 - Sep 21

Hourly changes

Open 10.30am 11 am 12 pm 1 pm 2 pm 3 pm close 1058 72 1053.33 1057.41 1055 10 1052.61 1052.15 1051 77 1050.43

closing markets further down in the afternoon. Volume more than halved. from DM9.7bn to DM4.6bn. Banks, obviously interest ratesensitive, held their ground but carmakers, engineers and that the D-Mark's rise in

DAX index closing 14.47 lower at 1,573.86, but it followed late

Day's High 1059.27

Europe had become a severe threat to corporate earnings. BMW, recently favoured against Volkswagen, dropped DM14.50 to DM537; the tyremaker. Continental, whose margins may be under threat as the carmakers squeeze their suppliers, ended DM8 lower at DM241. In engineering. Linde dropped DM19 to DM755 and in steels, which face a new 7.5 per cent annual wage demand from

IG Metali, Hoesch dropped

DM13.50 to DM200.

Day's Low 1050.31

MILAN rose by nearly 3 per cent in an early rally, clo the official session with the Comit index 4.77, or 1.3 per cent higher at 380.28, and ended in the London postbourse with the Italian component of the Eurotrack 100 down by 2.7 per cent in lira terms. The French vote did nothing for the lira, or prospects for

Profit-taking during the session hit Credito Italiano and Nuovo Pignone, the two privatisation candidates, which fell by 2.8 per cent, and 4.7 per cent

AMSTERDAM remained resilient against other European markets as the CBS Tendency index lost just 0.6 to 113.0. Mr Philip van den Berg,

Dutch analyst at Goldman

dollar and hopes of lower German interest helped the market resist a steeper fall.

Elsevier came back after suffering from last week's merger announcement with Reed of the UK and the shares picked up F1 2.30 to Ft 105.00. Philips and Royal Dutch also went against the trend, gaining Fl 70 cents and 60 cents respectively to FI 23.50 and FI 148.60.

MADRID was disappointed in the Maastricht vote and the general index slipped 4.19 to 210.78 while the Ibex index was down 2.3 per cent. Turnover swelled to Pta16bn. Utilities were weak on con-

cerns over the effect of devaluation on earnings, as they have a lot of foreign currency debt issue. Iberdrola I lost Pta35 to Pta685 in volume of 4.5m shares. Repsol fell Pta20 to Pta2,325 with 1.4m shares traded as US investors switched into the convertible

bond issue. BRUSSELS followed neighbouring bourses lower as the Bel-20 index lost 6.36 to 1,123.88. Clabecq was the day's main feature, losing BFr230 or 30 per cent at BFr550 but in partnership talks.

ZURICH saw rising Swiss profit-taking in banks; the SMI index, which peaked at 1,904.5 in early trading, closed 9.0 ver at 1.887.3.

OSLO fell in nervous trade, shipping shares leading the way down as investors held back amid renewed concern over the European currencles higher Norwegian short-term money market rates. The all-share index fell 2.73 to 333.42 in thin trading with the shipping index down 5.96 to 284.04.

STOCKHOLM fell in late

trading in spite of the central bank's lowering of its marginal lending rate from 500 per cent to 50 per cent. The Affars variden index shed 13.6 to 745.1 in turnover of SKr380m. Handelsbanken's B shares

fell by SKr4 to SKr25 while Electrolux B shares dropped SKr5 to SKr215 in turnover of

VIENNA reversed direction towards the end of the day as the ATX index finished up 4.03

### **ASIA PACIFIC**

# Politics move Pacific Basin equities as Nikkei eases

TORONTO was weaker at midsession with the TSE-300 index off 24.29 at 3,420.66. Declines led advances by 274 to 172 in turnover of C\$146.4m.

elers. After a delayed opening

due to an order imbalance on

the buy side, the stock jumped

\$21/4 to \$20 in turnover of 1.5m

shares as investors welcomed

Sunday's news that the finan-

cial services group, Primerica, had invested \$722.5m in Travel-

ers in return for a 27 per cent

stake. The market was particu-

larly impressed by the news

that Mr Sanford Welll, the

chairman of Primerica, will

play a key role in the running

of Travelers' operations. Pri-

merica was down 3% at \$40%.

after the broking house, Pai-neWebber, lowered its 1993

earnings estimate for the tele-

communications group because

of sluggishness in equipment

sales. PaineWebber still has a

"buy" rating out on AT&T,

Nike fell \$1/2 to \$75 in turn-

over of almost 1/2 m shares after

the sports shoe maker announced fiscal first quarter

net income of \$1.60, up from

\$1.50 a year ago but slightly

disappointing in relation to

market estimates.

AT&T held its ground at \$44

Meanwhile, the financial services sub-index was 53.12 lower at 2.705.41. Among the most active

stocks, Royal Bank of Canada lost C\$% at C\$24%, Dofasco Inc was C\$% lower at C\$10% and Scotiabank was C\$% weaker at

### **SOUTH AFRICA**

GOLD SHARES were lifted more than 1.5 per cent because of the uncertainty on foreign exchange markets. The index rose 14 to 935, while a strong industrial sector boosted its index by 10 to 4,137. The overTokyo

LATE AFTERNOON arbitrage selling left the Nikkei average lower yesterday, in slow trading ahead of a national holiday tomorrow, writes Emiko Terazono in Tokuo.

The Nikkei shed 100.56 to 18,066.24, dragged down by the fall in the futures market in the final hour, after setting a day's high of 18.414.09 in the morning on dealer buying, and a low of 18,050.48 just before

> Volume was still thin, at 280m shares against 333m, as most institutional investors remained inactive. Rises maintained a small lead over falls by 489 to 450, with 184 issues unchanged, while the Topix index of all first section stocks closed a slight 1.46 up at 1,355.51. In London the ISE/

1,088.57.

Rumours that a second tier broker was liquidating an arbitrage portfolio depressed the futures market. But traders said overall sentiment staved firm as many investors believe that public funds will be invested in the equity market at the end of this month.

Mr Peter Johnson at Baring Securities said: "It is a historically firm period. Share price movements will be dependent on progress of the land buying corporation and interest rate movements." Last week's comments by Prime Minister Mr Kiichi Miyazawa, supporting the use of public funds to finance a Japanese version of the Resolution Trust Corp-oration in the US, have indicated that the plans for the establishment of the

Trading was short term. Mitsui Mining & Smelting, the day's most active issue, fell Y30 to Y440 on profit-taking. Mining shares gained last week on reports of a gold mine dis-

covery in southern Japan.

Aoki, the construction company, jumped Y46 to Y550 on active buying. The issue will replace Nippon Stainless Steel later this week as a component of the Nikkei 225-stock average. Speculators sought issues rumoured as candidates for inclusion in the near future. Minebea rose Y16 to Y500 and Seika, a machinery trader, advanced Y26 to Y684.

Itoman, the Osaka based textile trading concern, did not trade due to the lack of buyers. and closed offered at Y268, down Y80. The company, under financial restructuring due to losses on its extensive property and stock speculation, last

week announced that it will be Bt22.62bn as the SET index merged with Sumikin Bussan. a steel trading subsidiary of Sumitomo Metal Industries, a core company of the Sumitomo group, which is aiding the

restructuring. in Osaka, the OSE average gained 92.87 to 19,484.02 in volume of 14.8m shares.

### Roundup

DOMESTIC AND international politics had a lot to do with the way markets in the region moved vesterday.

BANGKOK trading attained new record, and stocks climbed by 4 per cent on weekend progress towards the formation of a new government coalition, following the general election nine days ago.

The busiest day in the 17year history of the Thai stock

closed 33.30 higher at 868.75, bringing the total gain to 15 per cent since September 1. HONG KONG was pleased with the French Yes vote on Maastricht, and the Hang Seng index added 52.21 at 5,741.53, following Friday's 51-point

HK\$1.51bn to HK\$1.754bn. Conglomerates and properties showed above-average

rain, as turnover eased from

AUSTRALIA was also influenced by the French vote. as well as by stronger markets abroad last Friday. The All Ordinaries index firmed 7.9 to 1,531.6 but turnover was thin, falling from A\$166m to A\$136m as investors awaited international reaction to European

SEOUL dropped 3.5 per cent amid political uncertainty. The composite index shed 19.01 to

521.54 in active turnover of Won240bn on the after-shock following President Roh Taewoo's decision last week to leave the ruling Liberal Democratic Party and form a neutral cabinet to ensure fairness in the presidential election late

BOMBAY saw heavy selling after last week's gains, the BSE index losing 108.88, or 3.2 per cent, to 8,274.74. MANILA blamed flash floods in the city as the composite index slid 10.68 to 1,410.65.

TAIWAN heard that Lei Po lung, who plays a leading role in a TSS.1bn default case, had been arrested on Sunday and that Oung Ta-ming, textile tycoon and head of the Hualon group, was too ill to attend a court hearing yesterday, and the weighted index receded 58.03 to 3,481.90 after a 132-

# Devaluation brings divergence to bourses

	% c	benge in loc	% change '	% change in US \$ †		
_	1 Week	4 Weeks	1 Year	Start of 1968	Stori of 1902	Start of 1992
Austria	+9.12	+8.83	-22.34	-5.16	+3.31	-3.92
Belgium	+3.83	+1.03	-2,80	-2.77	+5.74	-1.66
Denmark	+0.79	-6.66	-29.65	-25.49	-19.03	-24.70
Finland	+ 5.74	+ 1.98	-32.84	-20.29	-24.67	-29.95
France	+3.88	+6,38	+ 0.99	+5.87	+14.84	+6.80
Germany	+ 4.23	+ 4.76	-7.20	-2.56	+5.88	-1,53
reland	+281	-2.21	-18,19	-12.07	-4.53	-11.21
italy	+3.82	-7.18	-29.19	-23.86	-25.08	-30.32
Netherlands	+3.34	+1.78	+2.17	+4.93	+14.43	+ 6.42
Norway	+8.92	+ 6.89	-32.32	-16.84	-12.13	-18.28
Spain	+3.42	+3.23	-19.52	-12.29	-13.76	-19.79
Sweden	+8.09	+2.28	-20.51	-4.34	+1.76	-5.36
Switzerland	+ 3.93	+6.39	+ 10.68	+ 12.49	+25.60	+ 15.80
UK	+8.54	+8.26	-2.65	+2.26	+2.26	-4.90
EUROPE	+ 5.88	+5.35	-5,31	-0.31	+3.90	
Australia	+ 1.52	-2.58	-5.07	-9.80	-6.49	-13.05
Hong Kong	+3.13	+3.11	+44.70	+ 32.54	+43.44	+33.41
Japan	-1.16	+ 7.65	-23.69	-20.20	-13.96	-20.00
Malaysia	+1.63	+ 6.24	+ 10.50	+3.85	+20.89	+ 12.25
New Zealand	+ 1.14	-0.41	-1.99	-9.53	-2.15	-9.00
Singapore	-2.83	-0.52	-9.33	-16,39	-9.43	-15.76
Canada	+0.31	+ 1.51	-1.73	-3.07	-0.91	
USA	+0.71	+1.94	+ 9.74	+ 1.42	÷9.06	
Mexico	+ 2.28	-5.37	+4.16	-9.61	-4.38	-11.00
South Africa	+ 3.55	-1,33	-9.71	-10.38	-24.38	-29.68
WORLD INDEX	+ 1.58	+4.07	-5.24	-5.84	+ 0.16	-5.88

### By John Pitt

uropean bourses diverged last week as currency turmoil pushed the UK, Italy and Spain into devaluation. With the FT-Actuaries World Indices measured in local currency terms, fluctuations in these markets tended to obscure clear gains in the strong D-Mark bloc - Germany, the Benelux countries and Switzerland - and in France.

In dollar terms, however, another picture emerges which reflects the comparative strengths and weaknesses of European currencies. In these terms, Austria, which is also firmly locked into the D-Mark, stands out as one of last week's best performers, while the UK's 8.5 per cent gain in sterling is translated into a fall of 1.8 per cent, reflecting its effective 13 per cent depre-ciation since last week. Similarly, Italy is 8.2 per cent

weaker in dollar terms. Austria's solid performance was made in an illiquid market, with very little foreign or

domestic institutional activity, said Mr James Stratton of Girozentrale Gilbert Eliott in London. Turnover was higher than average throughout the week, but much of the trading came from short-covering and interbank business. was also the fact that the market was due for a technical correction," he said, "having dropped some 30 per cent from its high earlier this year."

The situation in Italy, where last Monday's devaluation led the BCI index to an eight-year low on Wednesday in exceptionally large turnover of some L200bn, was followed by a rally as the market wel-comed Thursday's tough budget proposals. There was also Christine Keith, Italian analyst at County NatWest, that the lira had left the ERM.

However, in spite of the hudget measures receiving support from non-coantion ties, which may ease their passage through parliament, the release of a batch of firsthalf results over the next few weeks is expected to bring further disappointment.

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**FINANCIAL TIMES** 

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### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 21 1992							FRIDAY SEPTEMBER 18 1992				DOLLAR INDEX				
Figures in parentheses show number of lines of stock	US Qollar Indax	Day's Change	Pound Sterling Index	Yen Index	DM index	Local Currency Index	Local % chg on day	Grosa Div. Yield	US Dollar Index	Pound Starling Index	Yen Index	DM index	Locat Currency Index	1892 High	1952 Law	Year #go (approx)
Australia (68)	130.89	-0.2	113.35	102.35	100.89	119.82	+0.6	4.09	131.17	111.77	103.35	102.36	119.09	153.68	124.36	151.89
Austria (19)	160.44	+0.3	138.94	125,48	123,66	124.46	+0.0	2.35	180.00	136.33	126.07	124.86	124,44	186.70	139.27	182.34
Belgium (42)	143.03	+0.8	123.87	111.83	110.24	106.11	+0.0	5.69	141.94	120.94	111.83	110.76	108.16	152.27	135.87	130.19
Canada (114)	123.81	-1.6	107.04	96.65	95.26	110.14	-0.5	3:18	125.60	107.02	98.96	98.00	110.84	142.12	123,61	135.8
Denmark (33)	205.70	+23	178.14	160.85	158.54	161.64	+1.1	1,75	201.17	171,41	158.51	155.99	159.93	273,94	196.78	255,13
Finland (15)	56.38	+3.2	48.82	44.08	43,45	54,34	+0.7	2.60	54.85	46.57	43.07	42.65	53.97	89.80	57 92	91.2
France (102)	158.50	-1.4	137.26	123.93	122,18	125.87	-2.8	3.57	160.67	136.90	126.59	125,37	129,48	168.75	148.06	144,45
Germany (64)	115.92	+0.3	100.39	90.65	89.34	89.34	-0.9	2.56	115.54	98.44	91.05	90.16	90.16	129,69	111.97	110.38
Hong Kong (53)	236.32	+ 1.3	206.38	186,34	183.69	236.50	+1.3	3.63	235.26	200,45	185.37	153.60	233,46	259.55	176.35	162.37
	150.12	+08	130.01	117.39	115,71	120.74	+1.5	4.47	149.00	126.95	117.40	116.27	118.98	173.71	145.54	162.25
Italy (78)	53 04	+1.0	45.94	41.47	40.88	49.63	+0.8	4.20	52.53	44.76	41.39	40.99	49.24	80.86	49.25	73.04
	109.69	+ 1.0	95.00	85.77	84.56	85.77	+0.2	0.99	108.66	92.58	85.61	84.80	85.61	140.95	87.27	132,47
Malaysia (69)		+0.3	208.72	188.45	185.75	233.49	+0.2	2.83	240.41	204 64	189,42	187.60	233.10	250,47	212.49	197.21
Mexico (18)	235.90	-0.1	1070.29	966.38	952.57	4168,66	-0.3	1.44	1238,97	1053.97	974.65	985.29		1789.77	1213.33	1213.90
Netherland (25)	163.93	+0.9	141.96	126,18	126.35	124,91	+0.0	4.54	162.48	138,44	128.02	126.80	124.96	167.29	147.88	140.43
New Zealand (14)	42.38	-0.9	36.70	33,14	32.86	41.92	+0.3	5.28	42.75	36.43	33.69	33.36	41,77	48.52	41.90	45.73
Norway (22)	146,39	+ 0.2	126.78	114.47	112.84	119.42	-0.8	2.03	145,10	124,49	115.12	114.02	120.37	192.95	136.40	198.12
Singapore (38)	183.71	-0.7	159.09	143.65	141.59	135.83	-0.9	2.41	185.05	157.67	145.80	144.40	137.12	229.63	180.71	192.95
	176.49	8.0+	152.84	138.00	136.03	155.87	+ 0.5	3.27	175.03	149.14	137.91	135.58	155.04	263.60	175.03	249.41
Spain (48)	123.92	-12	107.31	96.90	95.51	98.57	-1.9	6.07	125.45	106.89	98.85	97.89	100.50	161,72	123.92	159.60
Sweden (30)	169.30	-12	146.61	132.38	130.49	139.22	-2.1	2.95	171.43	146.07	135.08	133,78	142.18	200.28	166.59	195.98
	116.97	-0.2	101.30	91,47	90.17	94,35	-0.5	2.27	117.23	99.89	92.37	91.49	94.84	118.45	95.99	94.54
	173.32	- 1.7	150.09	135.51	133,57	150.09	-0.1	4.90	178.25	150.18	138.86	137.53	150,18	200.07	165.85	181.03
	172.00	-0.2	148.95	134.50	132.57	172.00	~0.2	295	172.29	148.81	135.76	134.46	172.29	173.39	180.92	158.81
	141.71	-0.B	122,72	110.61	109.23	116,32	-0.7	4.06	142.81	121.68	112.53	111.45	117.08	156.88	138.52	142.65
Nordic (100)	154.59	+ 0.0	133.87	120.88	119.15	120.67	-0.9	2.48	154.51	131.65	121.75	120.58	121.81	188.52	150.15	188.79
	114,24	+ 0.9	98.93	89.33	88.05	90.98	+0.3	1,33	113.24	96.49	89.23	88.37	90.75	141,97	93.70	133,46
	125.35	+0.1	108.55	98.01	96.61	101.30	-0.2	2.58	125.20	105.68	98.54	97.70	101.47	145.21	113,60	137.44
North America (636)	168.98	-0.2	145.34	132.14	130.26	187.79	-0.2	2.96	169.37	144.32	133.47	132.20	168.09	170.48	158.70	155,44
Europe Ex. UK (554)	122,27	-0.1	105.89	95.63	94.28	97.41	-1.1	3.47	122.44	104.32	96.49	95.57	98.48	132,98	119.63	119.86
Pacific Ex. Japan (242)	158.84	+0.4	137.55	124.22	122.43	143.14	+0.7	3.66	158.23	134,82	124,69	123.49	142.15	175.31	149.00	143.23
	126.47	+0.1	109.52	98.90	97.48	103.22	-0.2	2.60	126.37	107.88	39.58	98.62	103.39	145.91	116.18	139.22
World Ex. UK (1984)	137.78	+0.2	119.31	107.74	106.20	121.78	-0.2	2.49	137.54	117.19	105.38	107.34	122.00	150.58	127.21	140.60
World Ex. So. Al. (2151)	140.71	+0.0	121.85	110.03	108.46	124.03	-0.2	2.74	140.76	119.93	110.92	109.85	124.25	153.05	130.04	143.42
World Ex. Japan (1739)	158.67	-0.4	137.41	124.08	122.32	146.58	-0.3	3.37	159.27	135.71	125.50	124,31	147.01	165.40	153.20	151.65
The World Index (2212)	140.86	+ 0.0	121.99	110.15	108.58	124.35	-0.2	2.75	140.90	120.05	111,02	109.96	124,58	153,70	130.66	144.11

